

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2016-2451, -2452, -2455, -2457, -2458,
2017-1056, -1102, -1104, -1109, -1110, -1111

SMARTFLASH LLC,

Appellant,

v.

SAMSUNG ELECTRONICS AMERICA, INC.,
SAMSUNG ELECTRONICS CO., LTD.,
APPLE INC., GOOGLE INC.,

Appellees.

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. CBM2014-00190, CBM2014-00192, CBM2014-00193, CBM2014-00194, CBM2015-00016, CBM2015-00017, CBM2015-00028, CBM2015-00029, CBM2015-00031, CBM2015-00032, CBM2015-00033, CBM2015-00059, CBM2015-0117, CBM2015-00118, CBM2015-00119, CBM2015-00120, CBM2015-00125, and CBM2015-00132

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February 21, 2017

CERTIFICATE OF INTEREST

Smartflash LLC v. Samsung Electronics America, Inc. et al.

2016-2451, -2452, -2455, -2457, -2458,
2017-1056, -1102, -1104, -1109, -1110, -1111

Counsel for Appellant Smartflash LLC certifies the following:

1. The full name of every party represented by me is:

Smartflash LLC

2. The name of the real party in interest represented by me is:

Not applicable

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties represented by me are:

Smartflash LLC is a wholly owned subsidiary of Smartflash Technologies Limited. The following entities own 10% or more of the shares of Smartflash Technologies Limited: Latitude Investments Limited, Celtic Trust Company Limited, and Eastbrook Business Inc.

4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the trial court or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are:

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Dated: February 21, 2017

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STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, counsel for Smartflash LLC states that no appeal from the Patent Trial and Appeal Board proceedings at issue in these appeals was previously before this Court or any other appellate court. The cases known to counsel that will directly affect or be directly affected by this Court's decision in these pending appeals are:

Smartflash LLC v. Apple Inc., No. 16-1059 (Fed. Cir. argued Dec. 7, 2016).

Smartflash LLC v. Samsung Elecs. Co., No. 6:13-cv-448-JRG-KNM (E.D. Tex. filed May 29, 2013).

Smartflash LLC v. Google, Inc., No. 6:14-cv-435-JRG-KNM (E.D. Tex. filed May 7, 2014).

Smartflash LLC v. Amazon.com, Inc., No. 6:14-cv-992-JRG-KNM (E.D. Tex. filed Dec. 29, 2014).

Smartflash LLC v. Apple Inc., No. 6:15-cv-145-JRG-KNM (E.D. Tex. filed Feb. 25, 2015).

JURISDICTIONAL STATEMENT

These are consolidated appeals of final written decisions of the Patent Trial and Appeal Board (“the Board”), issued following “covered business method” (“CBM”) review of claims in five of Smartflash’s patents. Smartflash timely filed notices of appeal in each of the CBM proceedings. Appx13186, Appx17208, Appx17212, Appx17216, Appx17220, Appx17224, Appx17228, Appx17291, Appx17295, Appx17299, Appx17303, Appx17307. This Court has jurisdiction over the consolidated appeals under 35 U.S.C. § 329 and 28 U.S.C. § 1295(a)(4)(A).

STATEMENT OF THE ISSUES

- 1.** Whether the Board erred in determining that Smartflash’s patents were subject to CBM review when the claimed inventions are not “used in” a “financial product or service.”
- 2.** Whether claims that are directed to a specific network architecture and distribution of functionalities, thereby enabling consumers to make convenient purchases of digital content over the Internet, while protecting against piracy and allowing only permitted uses of downloaded proprietary content, are patent-eligible under 35 U.S.C. § 101.

STATEMENT OF THE CASE

A. The Challenged Smartflash Patents

These appeals arise from CBM review proceedings instituted by the Board for U.S. Patent Nos. 7,334,720 (“the ’720 patent”) (Appx1006-1039), 8,033,458 (“the ’458 patent”) (Appx906-938), 8,061,598 (“the ’598 patent”) (Appx939-972), 8,118,221 (“the ’221 patent”) (Appx973-1005), and 8,336,772 (“the ’772 patent”) (Appx1040-1074). Each patent is titled “Data Storage and Access Systems.” The patents are all related through a common ancestor application and share a common specification.

1. The challenged Smartflash patents claim inventive architectures for a computer network, and for devices within such a network, that provide solutions to technological problems associated with the distribution of digital content over computer networks, including digital data piracy. The claimed inventions address such problems by distributing payment validation, content delivery, data storage, and access control functions to different network devices and components in specific ways that have particular advantages over prior-art systems.

The claims of the challenged patents recite all, or some combination of, three core features. *First*, many of the claims describe storing content data – that is, digital media such as music, videos, and games – and payment data together on the same data carrier or non-volatile memory. Among the advantages of that

arrangement is the enhanced convenience for consumers of digital media, who do not need to enter payment information manually every time they wish to purchase media content. *E.g.*, Appx1026 ('720 patent, 4:26-28). Enhanced convenience is an important aspect of the solution to digital piracy, because it makes it more likely that consumers will acquire content legitimately, instead of through illegal copying. *E.g.*, Appx1025 ('720 patent, 1:66-2:3).

Second, many of the claims describe an architecture in which a user device, such as a data access terminal or handheld multimedia terminal, downloads content from a data supplier (or allows access to already-stored content) after payment data is sent to, and payment validation information is received back from, a payment validation system. The payment validation system may be (and, in some preferred embodiments, is) independent of the data supplier. *See* Appx1011-1012, Appx1028-1029, Appx1031-1032 ('720 patent, 8:64-9:5, 13:33-15:67, figs. 5, 6). Once the payment validation data is received, the user device may download the requested content from a data supplier and store it on the data carrier. *E.g.*, Appx1025-1026 ('720 patent, 1:62-66, 3:19-27). In other configurations, in response to the receipt of payment validation data, the device grants user access to pre-stored content. *E.g.*, Appx1025-1026 ('720 patent, 1:62-66, 3:19-27). This novel architecture enhances security and flexibility by eliminating the need for content providers to develop their own secure content distribution platforms and by

allowing system providers – who can focus on security and convenience to the user, not curating content – to offer content from a wide and ever-changing variety of content sources. *E.g.*, Appx1028-1029 ('720 patent, 8:64-9:5).

Third, many of the claims contemplate storing use or access rules – which may be provided by the content provider – on the data carrier itself, in some cases along with use status data. Storing such rules on the data carrier enhances security by helping to ensure that users cannot illegitimately copy content data or otherwise use it in excess of their rights. *E.g.*, Appx1027-1028 ('720 patent, 5:25-29, 8:29-31). Storing access rules, use rules, and/or use status data on the data carrier makes it possible to control access to content even when the device is not connected to a network. The storage of use or access rules facilitates additional functionality, such as authorizing additional access to digital content – viewing a movie more than once or gaining access to additional levels of stored computer games, for example – without having to download the content anew. *See, e.g.*, Appx1032 ('720 patent, 15:13-17). In addition, several claims specifically require that the use rules be dependent on the amount of payment made for the content. *See, e.g.*, Appx1037 ('720 patent, cl. 3); Appx1005 ('221 patent, cl. 32).

2. Each of the patents covers distinct aspects of the inventive system.

The '720 Patent: Independent claim 3 of the '720 patent recites all three core features of the inventive network architecture from the viewpoint of a data access terminal:

A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

- a first interface for communicating with the data supplier;
- a data carrier interface for interfacing with the data carrier;
- a program store storing code; and
- a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
 - code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Appx1037. Claim 13 depends from claim 3 and adds that the data access terminal is “integrated with a mobile communication device, a personal computer, an

audio/video player, and/or a cable or satellite television interface device.”

Appx1038.

Independent claim 14 of the '720 patent describes “[a] method of providing data from a data supplier to a data carrier” employing a similar network architecture to the one described in claim 3. *Id.* Claim 14 does not recite payment validation data; dependent claim 15, however, requires “receiving payment validation data from the payment validation system” and “transmitting at least a portion” of that data to the content data supplier. *Id.*

Independent claim 1 of the '720 patent recites a method for controlling access to content data that is already stored on a data carrier. After a request for data access is received, use status data and use rules are read from non-volatile parameter memory on the data carrier; the use status data and use rules are evaluated; and whether access is permitted is displayed to the user. Dependent claim 2 requires selection of use rules dependent on payment data stored in parameter memory. Appx1037.

The '221 Patent: Claim 32 of the '221 patent – the only claim of the patent at issue – is similar to claim 3 of the '720 patent, but adds a limitation that the data access terminal receives “identifier data,” “associated value data,” and “use rule data” concerning “a data item available from the data supplier.” *See* Appx1005.

Such data is useful to inform users about content data available for download prior to purchase.

The '772 Patent: Six independent claims and five dependent claims of the '772 patent are at issue. Claim 8 involves a “data access terminal” controlling access to content data items already stored on a data carrier. Users of the claimed data access terminal request and receive “identifier data” that identifies “content data items stored on the data carrier.” Upon a user’s selection of content, the terminal transmits “payment data” to a “payment validation system” and controls access to the content based on “payment validation data” received in response. Claim 10 depends from claim 8 and recites that the “data access terminal is integrated with a mobile communications device and audio/video player.”

Appx1072.

Claim 1 describes a similar architecture as claim 8 but includes additional narrowing limitations. Claim 1, for example, recites a “handheld multimedia terminal” (as opposed to claim 8’s “data access terminal”) with a “wireless interface” and a “display” for displaying multimedia content and information about the content. In place of the “data carrier” recited in claim 8, claim 1 recites a “non-volatile memory.”¹ Claim 1 also recites additional detail about the terminal’s user

¹ For simplicity, “data carrier” in this discussion is also used to refer to the analogous “non-volatile memory” recited by claims 1, 14, and 25.

interface that, for example, is “operable to enable a user to access [a] selected item of multimedia content responsive to said code to control access . . . to said . . . multimedia content.” Claim 5 depends from claim 1 and requires the multimedia terminal to include “code to retrieve supplementary data” – for example, advertising – “via said wireless interface and output said supplementary data to said user using said display.” Appx1071.

Claims 14 and 19 are related to one another in the same way as claims 1 and 8. Unlike claims 1 and 8 – which teach a way to provide secure access to content data already resident on the data carrier/multimedia terminal – claims 14 and 19 contemplate receiving a user’s selected content data from a data supplier. The claimed terminals include code to request and receive “identifier data” that identifies content items available for download and “content information,” that, in claim 14, “comprises one or more of description data and cost data” pertaining to the content available for download. The terminal downloads and stores selected content data from a content supplier upon receiving payment validation data back from the payment validation system. Claim 22 depends from claim 19 and requires that the “data access terminal is integrated with a mobile communications device and audio/video player.” Appx1072-1073.

Claims 25 and 30 mirror claims 14 and 19, respectively, but add limitations regarding use rules. After users have selected content and downloaded it to the

data carrier, code in the claimed terminals receives a “second user selection” to access the content. The claimed terminal includes “code to read use status data and use rules” from the data carrier pertaining to the selected content and code to evaluate that information “to determine whether access is permitted.” Claim 26 depends from claim 25 and adds that the handheld multimedia terminal includes “code to present said second selected one or more items of retrieved multimedia content to a user via said display if access is permitted.” Claim 32 depends from claim 30 and requires that the data access terminal “is integrated with a mobile communications device and audio/video player.” Appx1073-1074.

The '458 Patent: The relevant claims of the '458 patent recite aspects of the storage and processing of use rules on a “data access device.” Independent claim 6 recites code on a “data access device” that retrieves “use status data” about data stored on a data carrier and “use rules data indicating permissible use of data stored on the carrier.” The device “evaluate[s] the use status data using the use rules . . . to determine whether access is permitted to the stored data,” and enables access when permitted. Claim 8 depends from claim 6 and adds limitations related to user access to the data carrier; claim 10 depends from claim 8, adding limitations related to supplementary data (such as advertising data). Claim 11 depends from claim 6 and recites use rules that “permit partial use of a data item” and “code to

write partial use status data to the data carrier when only part of a stored data item has been accessed.” Appx938.

The '598 Patent: The relevant claims of the '598 patent describe the structure and function of a “portable data carrier.” Claim 1 requires the data carrier to have a “content data memory” and “use rule memory to store . . . use rules” for the stored content. Dependent claim 2 adds “code to provide access” to content data in accordance with use rules stored on the data carrier. The portable data carrier includes code to store the relevant data on each memory. Claim 7 depends from claim 1 and further requires a “payment data memory to store payment data and code to provide the payment data to a payment validation system.” Claim 15 likewise depends from claim 1 and adds a limitation related to PIN access. Appx970. Claim 31 is an independent claim on a method to control access to data based on evaluation of use status data and use rules. Appx971.

B. Institution Decisions

Smartflash filed patent-infringement suits against appellees Apple Inc., Google Inc., Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd., in the U.S. District Court for the Eastern District of Texas. Appellees subsequently filed a large number of petitions for the Patent and Trademark Office

(“PTO”) to institute CBM review of various claims in Smartflash’s patents.² After the Board initiated CBM review of certain claims asserted in the district court litigation, the district court stayed the infringement suit against Google, and this Court reversed the district court’s decision denying a stay of the case against Samsung. *See Smartflash*, 621 F. App’x at 998-99. The case against Apple, which had already resulted in a jury verdict in favor of Smartflash, was not stayed. Apple’s appeal of the liability judgment against it has been fully briefed, and this Court heard argument on December 7, 2016. *See Smartflash LLC v. Apple Inc.*, No. 2016-1059 (Fed. Cir.).

In deciding to institute the CBM reviews on appeal, the Board determined, over Smartflash’s objection, that the challenged patents met the definition of a “covered business method patent” and were therefore eligible for CBM review. *See Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 284 (2011); 37 C.F.R. § 42.301.* In each institution decision, the Board analyzed a single challenged claim to determine whether the patent was a CBM patent. *See, e.g., Appx168-169.* The table below shows the claim the Board

² As this Court has noted, Apple and Samsung filed a large number of previous CBM petitions, including petitions based on assertions of anticipation and obviousness. *See Smartflash LLC v. Apple Inc.*, 621 F. App’x 995, 997 (Fed. Cir. 2015) (noting that Apple filed 12 separate petitions, apart from those at issue here). Although the Board granted review on “several claims,” it “denied review for the majority of the challenged claims.” *Id.* at 997-98.

analyzed in reaching its “covered business method” determination for each institution decision.³

Patent	CBM No. (Petitioner)	Claim Analyzed for CBM Determination	Institution Decision
8,118,221	2014-00194 (Samsung)	32	Appx162
	2015-00117 (Apple)		Appx182
8,033,458	2014-00192 (Samsung)	11	Appx35
	2015-00119 (Apple)	1	Appx54
	2015-00016 (Apple)		Appx227
8,061,598	2014-00193 (Samsung)	7	Appx97
	2015-00120 (Apple)	7	Appx117
	2015-00017 (Apple)		Appx288
7,334,720	2015-00028 (Apple)	2	Appx572
	2015-00125 (Google)		Appx591
	2014-00190 (Samsung)	14	Appx706
	2015-00118 (Apple)		Appx725
	2015-00029 (Apple)	14	Appx647
2015-00125 (Google)	Appx591		
8,336,772	2015-00031 (Apple)	8	Appx355
	2015-00059 (Samsung)		Appx375
	2015-00132 (Google)		Appx389
	2015-00032 (Apple)	19	Appx449
	2015-00059 (Samsung)		Appx375
	2015-00132 (Google)		Appx389
	2015-00033 (Apple)	30	Appx512
2015-00059 (Samsung)	Appx375		

The Board applied the same analysis to determine that each patent was a “covered business method patent.”⁴ Citing legislative history, the Board found that the definition of “covered business method patent” is “to be interpreted broadly” to

³ In some cases, the Board’s institution decisions adopted the reasoning of a prior institution decision for the same claim or claims and consolidated the later-filed case, as reflected in the groupings of CBM reviews in the table set forth in the text.

⁴ This brief cites primarily to the Board’s decisions in CBM2015-00029 for the ’720 patent as representative of the reasoning in the other CBM reviews. Relevant differences in reasoning for other decisions are noted, where necessary.

include “activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” *E.g.*, Appx656.

In view of that standard, the Board concluded that the analyzed claims satisfied “the financial in nature requirement of § 18(d)(1) of the AIA” because they recite “payment data,” “payment data and controlling access to content based on such payment data,” or otherwise “require[]” payment. *E.g.*, Appx171, Appx364, Appx657. The Board further reasoned that “payment validation,” “storing payment data,” and restricting or conditioning access to content based on payment data, payment validation data, or the amount of payment were financial activities or financial services. Appx169, Appx362, Appx455, Appx518-519, Appx577, Appx655, Appx713. The Board acknowledged that Claim 11 of the ’458 patent – the sole claim at issue in CBM Nos. 2014-00192 and 2015-00119 – does not refer to payment at all, but stated that the statute “does not include such a requirement.” Appx43-44. The patents’ specifications purportedly confirmed the “connection to financial activities by stating that the invention ‘relates to a portable data carrier for storing and paying for data.’” *E.g.*, Appx655 (quoting ’720 patent, 1:6-7).

The Board also found that Smartflash’s patent claims did not meet the exclusion from the definition of a “covered business method patent” for “technological inventions.” *See* AIA § 18(d)(1); 37 C.F.R. § 42.301(b). The

claims, according to the Board, did “not recite a technological feature that is novel and unobvious over the prior art.” *E.g.*, Appx653. The Board pointed to elements of the claims and stated or implied that each was a generic component known in the prior art. *E.g.*, Appx171 (stating that a “data carrier” is “a generic hardware device known in the prior art”); Appx521 (stating that claim 30 of the ’772 patent “recites only features such as ‘user interface,’ ‘data carrier interface,’ ‘program store,’ ‘processor,’ and ‘code’”); *see also* Appx364, Appx457, Appx579, Appx653, Appx715.

The Board also reasoned that the “technological invention” exemption did not apply because “the problem being solved by [the patents] is a business problem – data piracy.” *E.g.*, Appx654. According to the Board, “the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data.” *E.g.*, *id.* The Board supported that conclusion by pointing to a statement in the specifications that describe the general problem addressed by the patent: the “‘urgent need to find a way to address the problem of data piracy.’” *E.g.*, Appx654 (quoting ’720 patent, 1:40-41).

C. Final Decisions and Denials of Rehearing

After hearings, the Board issued final decisions invalidating claims of each of the challenged patents under 35 U.S.C. § 101. Although Smartflash challenges each of the Board’s institution decisions on appeal, in order to narrow the issues,

Smartflash is otherwise appealing only a subset of the Board’s ineligibility determinations under § 101 and does not challenge the invalidation of claim 11 of the ’458 patent under § 112. The table below shows the final decisions that Smartflash challenges on appeal, and the claims relevant to each:

Patent	CBM No. (Petitioner)	Claim Invalidated in Final Decision	Final Decision	Decision Denying Rehearing
8,118,221	2014-00194 (Samsung) 2015-00117 (Apple)	32	Appx132	Appx126
7,773,720	2014-00190 (Samsung) 2015-00118 (Apple)	13, 14	Appx675	Appx667
	2015-00029 (Apple) 2015-00125 (Google)	3, 15	Appx613	Appx605
8,336,772	2015-00031 (Apple) 2015-00059 (Samsung) 2015-00132 (Google)	1, 5, 8, 10	Appx319	Appx310
	2015-00032 (Apple) 2015-00059 (Samsung) 2015-00132 (Google)	14, 19, 22	Appx413	Appx404
	2015-00033 (Apple) 2015-00059 (Samsung)	25, 26, 30, 32	Appx477	Appx469

The Board employed essentially identical reasoning in each of the final decisions on appeal. Applying the two-part test in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), the Board first determined that the challenged claims were directed to an abstract idea. After reviewing selected language from the challenged claims and from the patents’ specifications, the Board concluded that “[t]he underlying concept of [the claims] . . . is conditioning and controlling access to content based upon payment,” which is “a fundamental economic practice long in existence in commerce.” *E.g.*, Appx623.

The Board then determined that the additional elements of the claims did not add an inventive concept. *E.g.*, Appx624-625. The Board found that the specifications “treat[] as well-known and conventional all potentially technical aspects” of the claims. *E.g.*, Appx625. According to the Board, the claims did not “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than conditioning and controlling access to content based on payment.” *E.g.*, Appx626. The Board also found for the ’221 and ’720 patents that the recited data types were “generic and conventional” and that the patent described them “with no description of the underlying implementation or programming that results in these data constructs.” *E.g.*, Appx627. For the ’772 patent, the Board found that the claims recited “several conventional computer components” but that Smartflash had not pointed “to any inventive concept in the ’772 patent related to the way the recited components are constructed or used.” *E.g.*, Appx334.

The Board found Smartflash’s patents distinguishable from the patent at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), in part because “data piracy exists in contexts other than the Internet.” *E.g.*, Appx629. The Board added that some claims “are not limited to the Internet or computer networks.” *E.g.*, *id.* Even assuming that the challenged claims “address data piracy on the Internet,” the Board was “not persuaded that they do so by

achieving a result that overrides the routine and conventional use of the recited devices and functions.” *E.g.*, Appx630.

The Board also rejected Smartflash’s arguments that specific combinations of claim elements described an inventive concept. The Board stated that “[t]he concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was conventional.” *E.g.*, Appx632. The Board also asserted that the concept of storing “two specific types of information – content and the conditions for providing access to the content” – on the same storage device was “well-known and conventional.” *E.g.*, Appx632-633.

The Board denied Smartflash’s requests for rehearing, finding that the arguments Smartflash raised were new or already addressed. *E.g.*, Appx608. Repeating the reasoning in the final decisions, the Board found that the intervening decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), did not affect its conclusions.⁵ *E.g.*, Appx610-611. The Board instead stated that “each of the challenged claims is ‘an abstract-idea-

⁵ *BASCOM* had not yet been decided at the time the Board issued its Decision Denying Rehearing for the ’221 patent. *See* Appx126-131.

based solution implemented with generic technical components in a conventional way.’” Appx611 (quoting *BASCOM*, 827 F.3d at 1351).

SUMMARY OF ARGUMENT

I. Each of the Board determinations at issue should be vacated because the Smartflash patents are not “covered business method patent[s]” within the meaning of the statute. “The authoritative statement of the Board’s authority to conduct a CBM review is the text of the statute.” *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1381 (Fed. Cir. 2016). The statute makes clear that a patent is subject to CBM review only if the patent “claims” an invention “for performing data processing or other operations *used in* the practice, administration, or management of a financial product or service.” AIA § 18(d)(1) (emphasis added).

In ruling that the Smartflash patents satisfied this standard, the Board incorrectly applied a “broad[.]” standard, under which a “financial product or service” includes “activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” *E.g.*, Appx43. This Court rejected that standard in *Unwired Planet*. 841 F.3d at 1382. At a minimum, to the extent the Board’s determination implicates any discretion on the part of the Board, its application of an incorrect legal standard as the basis for initiating these proceedings requires vacatur and remand to the agency. *See Princeton Vanguard, LLC v. Frito-Lay North Am., Inc.*, 786 F.3d 960, 970 (Fed. Cir. 2015).

In these cases, application of the correct legal standard makes clear that the Board was without authority as a matter of law, and no remand is necessary. *See Chambers v. Department of Interior*, 602 F.3d 1370, 1381 n.9 (Fed. Cir. 2010). The claims of the challenged patents are directed to aspects of a system for data storage and access that address technological challenges associated with distribution of proprietary digital content. Although payment is an aspect of many of the claims, the inventions are not *used in* any financial product or service. Rather, to the extent the claims incorporate elements related to payment – for example, storage or transmission of payment data, payment validation, or transmission of payment validation data – those elements depend on existing financial infrastructure.

If the fact that a patent contemplates a payment transaction were enough to satisfy the “used in . . . a financial product or service” requirement, then any merchant – online or brick-and-mortar – would be providing a “financial service” simply by virtue of the fact that the merchant accepts payment for goods. Such an interpretation of the scope of the Board’s authority would “render[] superfluous” the limits enacted by Congress. *Unwired Planet*, 841 F.3d at 1382. This case, moreover, would extend Board authority beyond prior cases where this Court has upheld the Board’s authority over an objection that the patent was not used in a financial product or service.

II. With respect to claims 3, 13, 14, and 15 of the '720 patent, claim 32 of the '221 patent, and all of the relevant claims of the '772 patent, the Board's determination that the patents claimed ineligible "abstract ideas" under § 101 and the Supreme Court's decision in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), was incorrect. Each of the disputed claims describes a novel distribution of functions among devices in a computer network, teaching specific solutions to technological problems associated with distribution of digital content over the Internet. This Court's precedents make clear that such inventions are patent-eligible.

First, the invention claims a particular solution to technological problems that are specific to the distribution of digital content over the Internet. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1258 (Fed. Cir. 2014). Although illegal copying had been a concern in the context of technologies that require distribution of data stored on physical media, such as CDs, at the time of the invention, "digital distribution of copyrighted material threaten[ed] copyright holders as never before." *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928-29 (2005). The patents provide solutions to those problems by claiming specific devices and systems, with a presumptively novel and nonobvious distribution of functions, that make distribution of content both more convenient and more secure. Such an "advance[] in technology," *id.* at 964, cannot be

dismissed as an “abstract business practice” applied in the context of the Internet, *DDR Holdings*, 773 F.3d at 1258.

Second, this Court’s decisions in *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), and *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016), make clear that an “arguably inventive distribution of functionality within a network” is patent-eligible, *Electric Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016). Each of the patents shares at least three unconventional structural elements that help to provide specific solutions to the technological problems associated with distribution of proprietary digital content. Each requires a mechanism for transmitting payment data for validation without requiring a user to re-enter a credit card number or other such information. Each of the claims teaches use of a payment validation system, distinct from the data supplier, which receives payment data and returns payment validation data that enables the retrieval of or access to content. And each teaches storing use rules or access rules, distinct from content data, on a data carrier or in non-volatile memory.

Each of these features offers distinct advantages over alternative approaches. Because the claims teach an “unconventional distributed architecture” for distribution of digital content, the “ordered combination of [the claims’] limitations yields an inventive concept sufficient to confer eligibility without undue

preemption.” *Amdocs*, 841 F.3d at 1303; *see also* *BASCOM*, 827 F.3d at 1350.

The implementation of this solution is not “generic.” *Alice*, 134 S. Ct. at 2360.

Third, the Board’s contrary conclusion was legally erroneous. The Board’s determination that the claims are “directed to” an abstract idea was based on a characterization of the claims at “a high level of abstraction and untethered from the language of the claims.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1337 (Fed. Cir. 2016). Like the claims at issue in *Enfish* and *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), Smartflash’s claims are directed to specific improvements in the capabilities of computers and computer networks. At step two of the *Alice* inquiry, the Board simply dismissed individual claim elements as “conventional” without considering the claims as an ordered combination. In particular, the Board never considered or discussed the novel distribution of functions that the patents claim. And the Board refused to acknowledge the undisputed fact that the Smartflash claims are not unduly preemptive. Had the Board engaged in that inquiry, it would have recognized that the claims at issue are narrowly drawn to specific solutions to technological problems, a “specific way” to make distribution of digital content more convenient and secure. *DDR Holdings*, 773 F.3d at 1259; *see Amdocs*, 841 F.3d at 1302.

STANDARD OF REVIEW

Final decisions of the Board are reviewed “under the standards provided in the Administrative Procedure Act.” *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1379 (Fed. Cir. 2016). Under that standard, the Board’s decision must be set aside if it is “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law or unsupported by substantial evidence.” *Id.* The Board’s resolution of legal issues, including its interpretation of the statute, is reviewed de novo. *Id.*; *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1337 (Fed. Cir. 2016).

In these cases, the Board’s determinations that the patents at issue are “covered business method” patents within the meaning of § 18(d)(1) of the AIA are entitled to no deference and are reviewed de novo. Although Congress delegated rulemaking authority to the Director of the PTO to adopt regulations to implement the CBM provision, *see* AIA § 18(a)(1), because the PTO simply repeated the statutory definition of “covered business method patent” in its regulations, the agency “provid[ed] nothing of its own in which to ground an interpretation to which a court might defer,” *Fogo de Chao (Holdings) Inc. v. U.S. Dep’t of Homeland Sec.*, 769 F.3d 1127, 1135 (D.C. Cir. 2014) (citing *Gonzalez v. Oregon*, 546 U.S. 243, 257 (2006)); *see Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1323 (Fed. Cir. 2015) (regulation “adds nothing to our

understanding of the scope question”). Furthermore, the Board (as opposed to the Director) has no authority to adopt regulations implementing § 18 of the AIA, and the institution decisions of panels of the Board are not precedential and do not bind the agency. *See* Patent Trial and Appeal Board Standard Operating Procedure 2, *Publication of Opinions and Designation of Opinions as Precedential, Informative, Representative, and Routine* § III.C-D (2014 rev. 9) (making clear that an opinion is precedential only if “a majority of the Board’s voting members agree” and the PTO “Director concurs”); *United States v. Mead Corp.*, 533 U.S. 218, 226-27 (2001); *Fogo de Chao*, 769 F.3d at 1136-37; *Dhuka v. Holder*, 716 F.3d 149, 156 (5th Cir. 2013) (nonprecedential opinion did not warrant deference).

The Board’s institution decisions all involved application of a statutory standard to the plain terms of challenged claims; the Board did not resolve any disputed issues of fact or otherwise exercise any discretion with respect to its interpretation of the statute. Such legal determinations are subject to de novo review. *See* *Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333, 1336 (Fed. Cir. 2013); *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000).

Patent eligibility under § 101 is an issue of law reviewed de novo. *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1236 (Fed. Cir. 2016).

ARGUMENT

I. THE BOARD LACKED AUTHORITY TO REVIEW THE SMARTFLASH PATENTS BECAUSE THEY ARE NOT “COVERED BUSINESS METHOD” PATENTS AS THE STATUTE DEFINES THAT TERM

A. Because the Claims Cover Solutions to Problems Associated with Controlling Access to Digital Content, Not Problems Associated with How To Effectuate a Financial Transaction, They Are Not “Covered Business Method” Patents

The claims of the Smartflash patents are not “covered business method” patents within the meaning of the statute because they are not directed to “data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1).⁶ Rather, the claims of the

⁶ The statute also provides that “technological inventions” do not qualify as “covered business methods.” AIA § 18(d)(1). The PTO has adopted a regulation that defines a “technological invention” as one in which “the claimed subject matter as a whole recites a *technological feature* that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b) (emphasis added). The Board found that, because the individual elements of the claims were not themselves unknown in the prior art, the claims did not recite any “technological feature” within the meaning of the PTO’s regulation. *See, e.g.*, Appx171; *see also* Appx171-172 (stating that “the . . . patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data”); *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1315 (Fed. Cir. 2015) (“[A] combination of known technologies does not amount to a ‘technological invention’ within the meaning of the statute”). For purposes of these appeals, Smartflash does not challenge the Board’s “technological feature” determination. To be clear, Smartflash does maintain that the claims “solve[] a technical problem using a technical solution.” In particular, the Board’s argument that “data piracy” is a “business problem” and not a “technological problem” is incorrect. *See generally Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545

challenged patents are directed to aspects of a system for data storage and access that help to address technological challenges associated with distribution of digital content, such as music, video, and game files. While payment and payment validation are aspects of many of the claims, the invention does not purport to improve any *financial* product or service, as the plain language of the statute requires.

1. “The authoritative statement of the Board’s authority to conduct a CBM review is the text of the statute.” *Unwired Planet*, 841 F.3d at 1381. The statute provides that a patent may qualify as a “covered business method patent” only if it (1) “claims a method or corresponding apparatus for performing data processing or other operations,” and those operations are (2) “used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). This Court has made clear that “a financial product or service” is “not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions.” *Versata*, 793 F.3d at 1325. At the same time, however, this Court has emphasized that “[i]t is not enough that a sale has occurred or may occur” or that a patent’s “practice could involve a potential sale of a good or service.” *Unwired Planet*, 841 F.3d at 1382;

U.S. 913, 929-30 (2005); *infra* pp. 38-48. These matters are addressed in the context of the subject-matter-eligibility question below. *See infra* pp. 38-48.

see also Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189, 194 (1985) (“Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose.”). Rather, the actual operations claimed in the patent must be employed in a “financial product or service.” AIA § 18(d)(1); *see Duncan v. Walker*, 533 U.S. 167, 174 (2001) (“It is our duty to give effect, if possible, to every clause and word of a statute.”).

None of the patents at issue satisfies the statutory definition, because none claims an operation “*used in*” a financial product or service. Instead, to the extent the claims incorporate elements related to payment, they depend on existing financial infrastructure; the patents are not *used in* that infrastructure.

2. The Board’s contrary determinations cannot be upheld because each was based on a legal gloss that this Court rejected in *Unwired Planet*. In each of the initiation decisions at issue, the Board applied a “broad[]” interpretation of the “financial product or service” requirement, stating that the provision was drafted “to encompass patents claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” *E.g.*, Appx43. That standard is incorrect. *See Unwired Planet*, 841 F.3d at 1382 (“The Board’s application of the ‘incidental to’ and ‘complementary to’ language . . . instead of the statutory definition renders superfluous the limits Congress placed on the

definition of a CBM patent.”). At a minimum, this Court should vacate and remand each of the decisions for the Board to apply the statutory standard as clarified by this Court in *Unwired Planet*. See *Princeton Vanguard, LLC v. Frito-Lay North Am., Inc.*, 786 F.3d 960, 970 (Fed. Cir. 2015); *Waldau v. Merit Sys. Prot. Bd.*, 19 F.3d 1395, 1401-02 (Fed. Cir. 1994).

3. Because application of the correct standard to the patents’ claims makes clear that the statutory definition is not satisfied, the Court can and should vacate each of the determinations and order the petitions dismissed. *Chambers v. Department of Interior*, 602 F.3d 1370, 1381 n.9 (Fed. Cir. 2010).

a. Claim 11 of the ’458 patent (CBM Nos. 2014-00192, 2015-00119) does not recite any term involving any monetary transaction. Independent claim 6, from which claim 11 depends, claims a data access device for retrieving stored data from a data carrier. The device is programmed to retrieve use status data and use rules; to evaluate the use status data to determine whether access is permitted; and to access the stored data when authorized. Claim 11 adds a limitation relating to partial use of a data item. The claim thus makes no reference to payment or any financial transaction, and could be used in a system where access does not depend on payment – for example, use rules could be applied to allow parents or teachers to control access by children or students.

The Board asserted that claim 11 is nevertheless “directed to activities that are financial in nature” because “data access [is] conditioned on satisfaction of use rules that are linked to payment data.” Appx42. But the Board’s construction of “use rules” was “rules specifying a condition under which access to content is permitted,” Appx41, which may or may not depend on payment. To the extent the Board determined that claim 11 is a covered business method simply because use rules “*may be* linked to payments,” *id.* (emphasis added), the Board’s reasoning was inconsistent with the plain language of the statute: simply because use rules may have application in a system that depends on the existence of a financial transaction does not mean that the patent is “used in” the practice, administration, or management of a financial product or service. *See Unwired Planet*, 841 F.3d at 1381-82.

In CBM 2015-00016, the Board based its jurisdiction on claim 1 of the ’458 patent, which includes an element of “code to output payment data from the payment data memory.” Appx937 (’458 patent, 26:1-2). The Board asserted that “[e]lectronic transfer of money is a financial activity, and providing for such a transfer amounts to a financial service.” Appx239. But simply describing a step in which payment is made (or payment data sent) does not amount to claiming an operation *used in* a financial service – rather, the patent assumes the existence of a financial infrastructure that can be employed in practicing the method described in

the patent. As the specification describes, the invention takes advantage of existing electronic payment systems. *See* Appx931 ('458 patent, 13:35-59). It does not claim methods or apparatus used in the practice, administration, or management of the electronic payment system.

b. Claim 7 of the '598 patent (CBM Nos. 2014-00193, 2015-00017, 2015-00120) depends from independent claim 1, which recites a “portable data carrier” with a “content data memory” and a “use rule memory” but no elements related to payment or money. Appx970 ('598 patent, cl. 1). Claim 7 adds the limitation that the device includes “payment data memory to store payment data and code to provide the payment data to a payment validation system.” *Id.* ('598 patent, cl. 7). The claim thus assumes the existence of a payment validation system; it does not claim the operation of that system or cover operations used in such a system.

The Board stated that “payment validation is a financial activity” and that “conditioning data access based on payment validation amounts to a financial service.” Appx103. Neither rationale is consistent with the statutory language or the language of the relevant claim. Payment validation may well be a financial activity, but the patent is not *used in* the “practice, administration, or management” of a payment validation service or system. By the plain terms of the statute, it is

not enough that the patent alludes to a financial service; the patent must claim operations *used in* that financial service.

As to the second part of the Board’s rationale, claim 7 of the ’598 patent does not refer to conditioning access at all; the Board never explained why it could be treated as though it did. In any event, as discussed further below, the Board’s assertion is unreasoned and impossible to square with the ordinary meaning of “financial service.” This Court made clear in *Unwired Planet* that it is “not enough that a sale has occurred or may occur,” 841 F.3d at 1382 – in other words, the fact that a patent may be involved in an economic transaction does not render every such patent a CBM patent. Were it otherwise, then any merchant – online or brick-and-mortar – would be providing a “financial service” simply because the merchant accepts payment in exchange for goods. Such a construction twists the meaning of the statutory language beyond what it can reasonably bear. *See id.* (warning against “render[ing] superfluous the limits Congress placed on the definition of a CBM patent”); *see also TVA v. Hill*, 437 U.S. 153, 173 (1978) (“To sustain that position, . . . we would be forced to ignore the ordinary meaning of plain language.”); *cf. MCI Telecomms. Corp. v. AT&T Co.*, 512 U.S. 218, 229 (1994) (“[A]n agency’s interpretation of a statute is not entitled to deference when it goes beyond the meaning that the statute can bear . . .”).

The Board also pointed to the specification, which noted that the invention “relates to a portable data carrier for storing and paying for data.” Appx103 (quoting Appx958 (’598 patent, 1:21-23)). But the statute makes clear that the relevant issue is what the patent “*claims.*” AIA § 18(d)(1) (emphasis added); *see Blue Calypso*, 815 F.3d at 1340 (the statute “directs us to examine *the claims* when deciding whether a patent is a CBM patent”). Even if merely making or accepting payment for goods were tantamount to a financial service – and it is not – a reference in the specification cannot take the place of a finding that the patent claims operations that are *used in* such a service.

c. A similar analysis applies to the remaining patents; in each case, the Board mistook use *of* existing financial infrastructure as part of the claimed invention, on the one hand, for claiming a method or apparatus for use *in* a financial product or service, as the statute requires. The data access terminal of claim 32 of the ’221 patent (CBM Nos. 2014-00194, 2015-00117) includes “code to read payment data from the data carrier and to forward the payment data to a payment validation system”; “code responsive to the payment validation data to retrieve data”; and “code responsive to the payment validation data to receive at least one access rule from the data supplier” and write it into the data carrier. Appx1005. Referring to those limitations, the Board concluded (as it did with respect to the ’598 patent) that “payment validation is a financial activity, and

conditioning data access based on payment validation amounts to a financial service.” Appx169; *see also* Appx104. But the claimed data access terminal is not used in a payment validation service or system; and conditioning access based on obtaining payment validation data from a payment validation system does not amount to a financial product or service any more than does requiring payment for shoes before allowing a customer to wear them out of the store.

Claim 30 of the ’772 patent (CBM Nos. 2015-00033, 2015-00059) is closely analogous for purposes of this analysis: its elements include code “to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system”; “code to receive payment validation data”; and “code responsive to the payment validation data to retrieve” content and to write the content to the data carrier. Appx1074. The Board’s analysis was identical to its analysis of claim 32 of the ’221 patent and is incorrect for the same reasons: claim 30 does not claim any operation that is used in the provision, administration, or management of a *financial* product or service. Rather, the patent is directed to a mechanism for facilitating the secure distribution of digital content. To be sure, this includes steps that involve validating payment, but the Board never explained any conclusion that the claims are used in that payment validation, as opposed to relying on existing systems for that step. The Board committed the same error with respect to the remaining claims of the ’772 patent. *See* Appx362

(claim 8, CBM Nos. 2015-00031, 2015-00059, 2015-00132) (“controlling access based on payment validation amounts to a financial service”); Appx455 (claim 19, CBM Nos. 2015-00032, 2015-00059, 2015-00132) (same).

The Board’s institution decisions with respect to the ’720 patent similarly disregarded the difference between an invention that is used to control access to digital content and a method used in providing a financial product or service. With respect to claim 14 (CBM Nos. 2014-00190, 2015-00029, 2015-00118, 2015-00125), as with the ’221 and ’772 patents, the Board relied on the fact that the claim involves payment validation, and “conditioning data access based on payment validation amounts to a financial service,” Appx713; that conclusion cannot be squared with the language of the statute for the reasons described above. With respect to claim 2 (CBM Nos. 2015-00028, 2015-00125), the Board stated that it was “persuaded that storing payment data and restricting access to content based on such payment data is a financial activity, and conditioning data access based on the payment data amounts to a financial service,” Appx577, but the Board did not and could not distinguish such activity from any other activity involving a sale of nonfinancial goods or services.

B. No Prior Decision of this Court Has Found a Comparable Patent To Be Eligible for CBM Review

None of this Court’s cases affirming the institution of CBM review over the objection that the patent was not used in a financial product or service authorizes

the Board to assert review authority in the absence of a showing that the patent claimed operations used in a specifically financial function.

In *Versata*, the patent was entitled “method and apparatus for pricing products in multi-level product and organizational groups”; it was directed to a mechanism for setting prices using a hierarchical organization of data. In upholding the Board’s authority, the Court held that the term “covered business method patent” “is not limited to products and services of only the financial industry” – that is, it “covers a wide range of finance-related activities”; and that the patent at issue “fall[s] well within the terms of the statutory definition.” 793 F.3d at 1325-26. Unlike the Smartflash patents, the patent at issue in *Versata* dealt with price-setting methodology abstracted from any particular technological context. *See id.* at 1327 (“The [Board] viewed the invention . . . as basically a method of determining price.”). By contrast, the patents at issue in this case do not deal with price-setting and are instead directed to providing solutions associated with distribution of digital content, including data piracy. Even if data piracy were a “business problem,” as the Board believed, it is not a problem associated with providing a *financial* product or service.

In *Blue Calypso*, the patent claimed a peer-to-peer advertising program that used a “subsidy program” to induce users of wireless devices to forward advertisements to other users. *See* 815 F.3d at 1336. In upholding the Board’s

determination, the Court noted, first, that the Board had construed the term “subsidy” without challenge as involving “financial assistance.” The Court found that the claims “have an express financial component in the form of a subsidy, or financial inducement, that encourages consumers to participate in the distribution of advertisements,” making “the subsidy . . . central to the claims.” *Id.* at 1340. By contrast, although payment is required as an element of certain Smartflash claims, the focus is on a mechanism for secure distribution – unlike the claimed financial inducement for forwarding an advertisement, the idea of paying for content is not the inventive element of the claims; secure distribution of digital content is not a “financial product or service.”

SightSound, 809 F.3d 1307, is likewise distinguishable. That case involved two patents, both “related to a method for the electronic sales and distribution of digital audio or video signals.” *See* U.S. Patent No. 5,191,573, 1:9-11; U.S. Patent No. 5,966,440, 1:16-18. The Court could have concluded, based on the claim language, that the inventive concepts in the patents at issue in *Sightsound* were expressly directed to financial operations: transferring money and managing accounts. *See* ’573 patent 6:8-9 (“transferring money electronically via a telecommunication[s] li[ne] to the first party”); *id.* at 13:23-35 (certificate of reexamination) (requiring “an account”; “charging a fee via telecommunications lines”; and “charging the account of the second party”). By contrast, the inventive

concepts of the Smartflash claims are at least once removed from such explicitly financial operations: rather than expressly include financial operations as a focus of the claims, the Smartflash patents rely on payment data and payment validation, an approach that allows the claimed systems and devices to draw on existing financial infrastructure to provide convenient and secure distribution, download, and access to digital content over the Internet.

II. THE DISPUTED CLAIMS OF THE '221, '720, AND '772 PATENTS ARE PATENT-ELIGIBLE UNDER § 101

Each claim for which Smartflash seeks review of the merits of the Board's determinations (referred to as the "disputed claims") is patent-eligible under 35 U.S.C. § 101 because each contains an "'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Alice*, 134 S. Ct. at 2357 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71, 80 (2012)). Each of the disputed claims describes a novel distribution of functions among devices in a computer network, including defined hardware and software elements configured in a particular manner, providing improved ways to purchase, download, store, and control access to digital content. Each claim teaches a specific solution to a technological problem and provides the "inventive concept" necessary to confer patent eligibility.

A. The Challenged Claims Are Patent-Eligible Because They Teach Specific, Technological Solutions to Novel Technological Problems Presented by Digital Commerce

1. The Patents Are Necessarily Rooted in Computer Technology and Do Not Transfer a Pre-Internet Business Practice to the Internet

The disputed patents are eligible under § 101 because they claim inventions “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks” and do not “merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the internet.” *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014); *see also BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016) (emphasizing the patent-eligible nature of claims “directed to . . . specific improvements in computer technology”).

The opportunities and challenges of distributing digital content over the Internet “introduce[] a problem that does not arise” with content that is distributed on physical media. *DDR Holdings*, 773 F.3d at 1258. By the late 1990s, as a result of improved data compression and increasing bandwidth for Internet access, content providers, for the first time, had the ability to offer data for purchase over the Internet; at the same time, unprotected data files could be easily pirated and made available “essentially world-wide” without authorization. Appx1025 (’720

patent, 1:17-23). The conventional operation of the Internet does not solve the problem of data piracy: on the contrary, the Internet facilitates the distribution of data without restriction or protection. *Id.*

To be sure, the recording industry and other content providers had faced the issue of piracy in other contexts – a CD can be copied onto a cassette tape or onto another CD, and the pirated copy sold – but the problem of widespread distribution of pirated content over the Internet was unprecedented, because no physical medium is required for copying and distribution. There had never before been a way to make identical copies of digital content available to millions of people instantaneously at virtually no incremental cost. *See generally Grokster*, 545 U.S. at 928-29 (“[D]igital distribution of copyrighted material threatens copyright holders as never before, because every copy is identical to the original, copying is easy, and many people . . . use file-sharing software to download copyrighted works.”). The advent of the Internet thus gave rise to an “urgent need to find a way to address the problem of data piracy.” Appx1025 (’720 patent, 1:40-41). The challenged claims presented a narrowly defined solution to meet that need.

The patented solution to this Internet-specific problem does not constitute the performance of an “abstract business practice” with “insignificant added activity.” *DDR Holdings*, 773 F.3d at 1258. Although the Board found that the challenged claims were directed to “conditioning and controlling access to content

based on payment,” *see, e.g.*, Appx139, that description merely describes a general goal of the invention; it does not reveal anything about how that goal is achieved. The challenged claims recite devices and systems comprising specific elements designed to *overcome* the technological problems inherent in making digital content available over the Internet, in particular by making the legitimate purchase of content more convenient, thereby discouraging illegal data piracy. This is precisely the type of “advance[] in technology” that the Supreme Court referred to in *Grokster*. 545 U.S. at 964 (noting that such advances “have discouraged unlawful copying by making *lawful* copying (*e.g.*, downloading music with the copyright holder’s permission) cheaper and easier to achieve”).

2. *When Considered as an Ordered Combination, the Challenged Claims Reflect an “Inventive Concept”*

The combination and arrangement of elements in each of the disputed claims – the “specific, discrete implementation” – confirm that the disputed claims are patent-eligible under this Court’s precedents. *BASCOM*, 827 F.3d at 1350.

a. Claims 3 and 13 of the ’720 patent, claim 32 of the ’221 patent, and claims 25, 26, 30, and 32 of the ’772 patent share at least three unconventional structural elements that help to provide a distinct solution to technological problems associated with distribution of digital content.⁷ *First*, each of the claims

⁷ Each of the claims includes additional elements that serve to narrow the claims and provide additional useful features. For example, some of the claims teach

requires a mechanism for transmitting payment data for validation without requiring a user to re-enter a credit card number or similar information. The '720 and '221 patents achieve this by teaching a data carrier that stores *both* content data *and* payment data. *See* Appx1037 ('720 patent, 26:51, 26:57-58); Appx1005 ('221 patent, 28:31, 28:37-38). The claims of the '772 patent require “code responsive to” a user selection of content “to transmit payment data relating to payment for” the selected content – which can logically be accomplished by storing the payment data in the claimed non-volatile memory or data carrier. Appx1073-1074 ('772 patent, 30:9-14, 31:22-26). This configuration offers distinct advantages over alternatives that the specification identifies. For example, by avoiding the need for entry of credit card data into an invoice, the invention promotes convenience and permits purchases by individuals without access to a credit card. *See* Appx1025-1026 ('720 patent, 1:62-2:3, 2:4-28, 4:26-28).

Second, each of the claims teaches use of a payment validation system that receives payment data and returns payment validation data; after receiving payment validation data, the data access terminal or multimedia terminal retrieves content from a data supplier. *See* Appx1037 ('720 patent, 26:52-57); Appx1005 ('221 patent, 28:32-37); Appx1073-1074 ('772 patent, 30:12-24, 31:26-33). This

providing identifier data and content information related to content items available for purchase. *See, e.g.*, Appx1074 ('772 patent, 31:8-18).

architecture offers several advantages in terms of security and flexibility. For one thing, it ensures that content owners can provide access to protected content without implementing their own payment validation system; instead, they can rely on a separate system owner to perform that function, providing content only after the purchaser can demonstrate that payment has been validated. At the same time, system owners are able to draw on a vast array of content by establishing relationships with a variety of content owners, thus relieving the system owner of the need to store, maintain, and curate that content. *See* Appx1011-1012, Appx1028-1030 ('720 patent, 8:64-9:5, 12:42-62, figs. 5, 6). Claims 14, 19, and 22 of the '772 patent likewise include both of the foregoing elements (but do not require use rules or access rules).

Third, each of the patents teaches storing use rules or access rules, distinct from content data, on the data carrier or in non-volatile memory. *See* Appx1037 ('720 patent, 26:59-64) (“code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier”); Appx1005 ('221 patent, 28:39-43) (same); Appx1073-1074 ('772 patent, 30:27-28 (“code to read use status data and use rules from said non-volatile memory”); 31:38-40 (“code to read use status data and use rules from said data carrier”)). The storage of content data and use or access rules permits controlling access to content while offline and adjusting the level of access to

stored data without requiring additional contact with the data supplier. For example, in response to additional payment, the user can obtain additional access to stored content (for example, purchasing a previously rented movie or gaining access to additional levels of a stored game) without having to download the content again. *See, e.g.*, Appx1026-1027 ('720 patent, 4:59-5:29). Furthermore, the disputed claims of the '720 and the '221 patents require that the access rule specify at least one condition for accessing the retrieved data, with the condition being dependent with the amount of payment.

Claims 1, 5, 8, and 10 of the '772 patent likewise take advantage of a payment validation system to validate payment data transmitted in response to a user selection of a content data item. In the case of these claims, however, the content data in question is already stored on the data carrier or in non-volatile memory. After the terminal receives the payment validation data, it can provide access to already-stored, but perhaps locked, content on the data carrier or in the non-volatile memory. Claims 14 and 15 of the '720 patent teach an architecture similar to that claimed in claims 3 and 13 of that patent, requiring a data carrier capable of storing both payment data and content data, a payment validation system, and access rules that are also stored on the data carrier.

b. This presumptively novel and nonobvious combination of elements is patent-eligible under this Court's precedents.

In *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016), this Court unanimously concluded that two of the patents at issue in that case claimed eligible subject matter based on distribution of functionality within a network. Both of the patents involved a method for reporting on network usage by a plurality of devices. The majority found that the manner of carrying out the claim steps “depend[ed] upon the system’s unconventional distributed architecture” and that, “[w]hile some individual limitations arguably may be generic, others are unconventional and the ordered combination of these limitations yields an inventive concept sufficient to confer eligibility without undue preemption.” *Id.* at 1303 ('510 patent), 1304 ('984 patent). The Court noted that the claim involved “a technological solution to a technological problem specific to computer networks – an unconventional solution that was an improvement over the prior art.” *Id.* at 1303.

The same reasoning applies to the disputed claims. Each involves an unconventional distribution of functions among devices and within the computer network; each employs an “ordered combination” of elements that does not preempt alternative architectures; and each involves a technological solution to technological problems associated with distribution of digital content over the

Internet. *See also Trading Techs. Int'l, Inc. v. CQG, Inc.*, --- F. App'x ---, 2017 WL 192716, at *3 (Fed. Cir. Jan. 18, 2017) (“Abstraction is avoided or overcome when a proposed new . . . computer-implemented function is not simply the generalized use of a computer as a tool to conduct a known or obvious process, but instead is an improvement to the capability of the system as a whole.”). Put another way, the specific elements “meaningfully limit the claim to a manner of achieving the desired result without unduly foreclosing future innovation” – claiming “a particular inventive *manner*” by which to facilitate the secure distribution of digital content. *Amdocs*, 841 F.3d at 1315 (Reyna, J., dissenting); *see also id.* at 1317 (claimed invention “must be limited to a specific *means* (i.e., process or structure) for achieving its underlying purpose”); *Electric Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1356 (Fed. Cir. 2016) (noting that the “common-sense distinction between ends sought and particular means of achieving them” is “one helpful way of double-checking the application of the Supreme Court’s framework to particular claims”).

BASCOM likewise confirms that Smartflash’s claims are patent-eligible. The claims at issue recited an arrangement of “known, conventional pieces” including systems for filtering internet content, a generic computer, and a remote server. 827 F.3d at 1350. The central thrust of the invention, however, was the placement of the claimed Internet content filtering system on a remote ISP server.

Id. at 1346; *see also id.* at 1350 (“[A]n inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces.”); *Electric Power Grp.*, 830 F.3d at 1355 (noting that an “arguably inventive distribution of functionality within a network” is patent-eligible) (citing *BASCOM*, 827 F.3d at 1350). That design provided specific benefits over alternatives; it was not “conventional or generic.” 827 F.3d at 1350. The same is true of the Smartflash patents: by claiming a “non-conventional and non-generic” arrangement of elements within a computer network, the patents offer advantages over prior art systems without “preempt[ing] all ways” of securely distributing digital content over the Internet. *Id.*

A comparison to the claims in *DDR Holdings* further reinforces the conclusion. There, “the claimed system generates and directs the [website] visitor to [a] hybrid web page that presents product information from the third-party and visual ‘look and feel’ elements from the host website.” 773 F.3d at 1259. The representative claim described a system that employed conventional equipment and known techniques. *See id.* at 1249-50. That claim was patent-eligible because it “recite[d] a *specific way* to automate the creation of a composite web page.” *Id.* at 1259 (emphasis added). Here, the claims likewise “recite a specific way” to achieve a desired result – that is, to purchase, download, store, and access digital content securely.

The Board found that *DDR Holdings* was distinguishable, first of all, because digital data piracy is not “rooted in computer technology” because “[d]ata piracy exists in contexts other than the Internet.” Appx146. But the digital piracy made possible by the Internet had no counterpart in pre-Internet technology – as the Board’s own example emphasizes. *See* Appx147 (comparing piracy associated with distribution of content over the Internet to copying of a single CD); *see also Grokster*, 545 U.S. at 929-30. The Board also asserted that the patents do not address data piracy by “overrid[ing] the routine and conventional use of the recited devices and functions.” Appx147. But this Court’s cases make clear that an innovative distribution of functionalities within a computer network *is* nonroutine and nonconventional. *Amdocs*, 841 F.3d at 1300-01; *Electric Power Grp.*, 830 F.3d at 1355; *BASCOM*, 827 F.3d at 1350.

c. The unconventional architecture and specific structural elements of the Smartflash patents distinguish the disputed claims from those that this Court has found to be ineligible under *Alice*. This Court has invalidated claims under § 101 on the ground that the claim failed to add a sufficient “inventive concept” to the underlying abstract idea because the claims at issue recited no “specific way” to employ computer technology to solve a technological problem. Instead, beyond the patent-ineligible abstract concept, the computer implementation at issue was merely “generic.” *See Alice*, 134 S. Ct. at 2360 (“purely functional and generic”);

Ameranth, 842 F.3d at 1242 (a “claimed invention [that] replaces a server’s notepad or mental list” by “adding conventional computer components” is not eligible for a patent); *Affinity Labs of Tex., LLC v. DIRECTV, LLC*, 838 F.3d 1253, 1258, 1262 (Fed. Cir. 2016) (declining a patent for the “broad and familiar concept” of providing out-of-network content “without offering any technological means of effecting that concept”); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1368 (Fed. Cir. 2015) (“generic computer elements performing generic computer tasks”); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1363 (Fed. Cir. 2015) (“generic-computer functions”); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 722 (Fed. Cir. 2014) (Mayer, J., concurring) (“generic computers”); *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014) (“[t]he computer functionality is generic”).

Because the Smartflash patents claim a particularized distribution of functionalities, the invention cannot be dismissed as merely generic.

B. The Board Erred in Its Evaluation of the Challenged Claims Under *Alice*

The Board committed a series of errors in its review of the challenged claims, including incorrectly concluding that the claims were drawn to an abstract idea, failing to consider the challenged claims as an “ordered combination,” and failing to consider the limited preemption risk presented by the claims.

1. *The Board Erred in Its Conclusion That the Challenged Claims Were Drawn to an Abstract Idea*

The Board erred in its determination that the challenged claims were directed to an abstract idea at step one of *Alice* because it overgeneralized the nature of the claims.⁸ As noted above, *see supra* p. 15, the Board held that the challenged claims were “directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment.” Appx139 (’221 patent); Appx330 (’772 patent, cls. 1, 5, 8, 10) (similar); Appx423 (’772 patent, cls. 14, 19, 22) (similar); Appx487 (’772 patent, cls. 25, 26, 30, 32) (similar); Appx621 (’720 patent). But that characterization does not fairly characterize what the claims are directed to – devices with particular elements operating in a specific network architecture, which teaches an unconventional

⁸ Although Smartflash never conceded that the challenged claims were directed to an abstract idea, Smartflash did not fully address step one of the *Alice* inquiry in its briefing before the Board. *See, e.g.*, Appx13. The Board nevertheless resolved the merits of the “abstract idea” question and did not rely on which arguments were made (or not made) by Smartflash. *See* Appx13-15. Accordingly, the question whether the disputed claims are directed to an abstract idea is squarely before the Court, because the Board’s decision can be upheld, if at all, only on the grounds on which the Board itself relied. *See SEC v. Chenery Corp.*, 318 U.S. 80, 87 (1943); *see also Ohio v. EPA*, 997 F.2d 1520, 1529 (D.C. Cir. 1993) (per curiam) (noting that the court had “excused the exhaustion requirements for a particular issue when the agency has in fact considered the issue”); *Washington Ass’n for Television & Children v. FCC*, 712 F.2d 677, 682 (D.C. Cir. 1983) (“[I]t is not always necessary for a party to raise an issue, so long as the [agency] in fact considered the issue.”). Moreover, this Court has observed that “there is considerable overlap between step one and step two” of the *Alice* framework. *Amdocs*, 841 F.3d at 1294.

distribution of functionality to address the technological problem of data piracy in the digital-content-distribution industry.

The Board's treatment of *Alice* step one cannot be squared with this Court's decisions in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016). In *Enfish*, this Court reversed a district court's decision invalidating a patent on a self-referential database design, holding that the invention claimed "a specific type of data structure designed to improve the way a computer stores and retrieves data in memory" and was thus directed to "a specific improvement to the way computers operate." 822 F.3d at 1336, 1339. Similarly, the challenged claims in the '221, '720, and '772 patents recite specific improvements in the capabilities of computer networks by improving the distribution of digital content. The claimed architecture achieves a concrete, technical improvement by facilitating easier, safer transfer of digital content across a computer network. In holding to the contrary, the Board "describ[ed] the claims at . . . a high level of abstraction and untethered from the language of the claims," thus "all but ensur[ing] that the exceptions to § 101 swallow the rule." *Id.* at 1337.

In *McRO*, this Court reversed a district court judgment holding a patent on an automated method for lip-syncing animation invalid under § 101. In so doing, this Court again "cautioned that courts must be careful to avoid oversimplifying

. . . claims by looking at them generally and failing to account for the specific requirements of the claims.” 837 F.3d at 1313. The asserted claims were focused on “a specific asserted improvement in computer animation, *i.e.*, the automatic use of rules of a particular type” – the claims did not “simply use a computer as a tool to automate conventional activity.” *Id.* at 1314. The claims at issue here require specific combinations of hardware components and a particular scheme for storing, transmitting, and processing particular data types; like the patents in *McRO*, they teach a “specific way” to solve a technological problem. *Id.* at 1315. The claims of the ’720 and ’221 patents include specific rules of a particular type – that is, access rules conditioning access based on the amount of payment. The claims offer distinct advantages over alternative, prior art approaches to the problem of secure distribution of proprietary digital content – including accessing protected data offline and purchasing content without re-entering purchase details – without preempting alternatives. *Cf. id.* at 1316 (“By incorporating the specific features of the rules as claim limitations, claim 1 is limited to a specific process . . . and does not preempt” other approaches.). The Smartflash claims require particular interactions among specific systems and processing of distinct data types; they do not claim “a result or effect that itself is [an] abstract idea and merely invoke generic processes and machinery.” *Id.* at 1314.

2. *The Board’s Step-Two Analysis Failed To Consider the Claims as an Ordered Combination*

In assessing the “inventive concept” of a claimed invention, the Board failed to consider the claim elements “‘as an ordered combination,’” as *Alice* requires. 134 S. Ct. at 2359 (quoting *Mayo*, 566 U.S. at 79).

The Board relied on the specifications’ descriptions of individual technical elements recited in the claims as “conventional” as evidence that the claims were not inventive. *See, e.g.*, Appx686 (“[T]he specification states the recited ‘data access terminal may be a conventional computer,’ that the terminal memory ‘can comprise any conventional storage device,’ and that a ‘data access device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system’”). But this Court’s cases make clear that a claim may “recite a sufficient inventive concept under step two” when they “solve a technology-based problem, even with conventional components, *combined in an unconventional manner.*” *Amdocs*, 841 F.3d at 1300 (emphasis added); *cf. KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418-19 (2007) (“[I]nventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.”). As previously described, the “inventive concept” at the heart of the challenged claims is the novel distribution of network functionality, and the specific interactions between network components that enable the secure

distribution and use of digital content. *BASCOM* and *Amdocs* confirm that such inventions are eligible under § 101. *BASCOM*, 827 F.3d at 1350; *Amdocs* 841 F.3d at 1301. The Board’s decisions fail to explain why the overall combination of elements in the disputed claims – which, for purposes of these appeals, is taken as novel and unobvious – can be treated as merely conventional.

The Board did not consider the way in which the claimed combination of claim elements described an unconventional architecture. Instead, it simply held that “[t]he concept of storing two different types of information in the same place or on the same device is an age old practice.” *E.g.*, Appx632. The Board analogized that concept to “storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device.” *Id.* But, as described above, the inventive elements of the Smartflash claims are not limited to the storage of content data, payment data, and use rules on the same data carrier; furthermore, the invention’s choice of specific data elements and the interactions among them is itself unconventional. In any event, by focusing on the simple fact that data types were stored together, the Board ignored the interactions described in the claims. *BASCOM* and other cases illustrate that an arguably novel distribution of functions – which is what the claimed arrangement of data types describes – can establish an inventive concept for purposes of step two of the *Alice* inquiry.

3. *The Board Erred in Refusing To Consider the Limited Risk That the Challenged Claims Would Preempt Other Solutions to the Same Problem*

The *Alice* inquiry is aimed at ensuring that a patent will not “inhibit further discovery by improperly tying up the future use of’ [the] building blocks of human ingenuity.” 134 S. Ct. at 2354 (quoting *Mayo*, 566 U.S. at 85). Yet the Board, in each of its written decisions, set aside the “alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives,” as irrelevant to the *Alice* inquiry. *See, e.g.*, Appx151-153, Appx435-437, Appx633-636. That was improper, because the absence of preemption should have been a warning sign that the Board’s analysis was incomplete and incorrect.

To be sure, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), indicates that a claim that cannot satisfy *Alice* is not saved simply because it is narrow. But the Board’s decision to ignore altogether evidence regarding preemption is improper in light of the numerous opinions of this Court explicitly assessing potential preemptive effect as part of the *Alice* step-two inquiry. *See, e.g.*, *BASCOM*, 827 F.3d at 1350 (taking as evidence of “inventive concept” the fact that the claims do not “preempt all ways of filtering content on the Internet”); *Amdocs*, 841 F.3d at 1302 (noting, in the context of the step-two analysis, that the patent-at-issue’s “arrangement is not so broadly described to cause preemption concerns. Instead, it is narrowly circumscribed to the particular

system outlined.”); *see also McRO*, 837 F.3d at 1316 (crediting the fact that the patented approach “does not preempt approaches that use rules of a different structure or different techniques” in its determination that the claims at issue were patent-eligible).

These cases illustrate that the consideration of preemption is proper in assessing the inventive concept of an invention at step two of the *Alice* inquiry. *See BASCOM*, 827 F.3d at 1350. There appears to be no dispute that the disputed claims are *not* preemptive – on the contrary, there was a crowded field of prior art designed to enable delivery of music or other information over the Internet; the Smartflash patents have repeatedly been upheld as valid within this field. The Board itself rejected appellees’ petitions insofar as they sought to invalidate some of the disputed claims on anticipation or obviousness grounds. Appx181 (’221 patent); Appx589, Appx664, Appx723 (’720 patent); Appx372-373, Appx466, Appx529 (’772 patent). The fact that inventors had patented alternative approaches to solving the same technological problem strongly supports the conclusion that Smartflash’s novel solution cannot be dismissed as merely claiming generic implementation of a preexisting business practice. *See Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1346-47 (Fed. Cir. 2015).

CONCLUSION

The Court should vacate the Board's determinations that the '458, '598, '221, '720, and '772 patents are "covered business method" patents under AIA § 18(d) and 37 C.F.R. § 42.301. In the alternative, the Court should reverse the Board's decision that claim 32 of the '221 patent, claims 3 and 13-15 of the '720 patent, and claims 1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32 of the '772 patent are ineligible under 35 U.S.C. § 101.

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37 C.F.R. § 42.301

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Paper 47
Entered: June 9, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00119 (Patent 8,033,458 B2) has been consolidated with this proceeding.

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Patent 8,033,458 B2

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”)² filed a Petition to institute covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a transitional covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claim 11 is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claim 11 of the ’458 patent based on the same ground. CBM2015-00119 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of their newly filed case with Samsung’s previously instituted case. CBM2015-00119 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.⁴ Paper 29; CBM2015-00119, Paper 11.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 21, “PO Resp.”)⁵ and Samsung and Apple

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

⁴ For purposes of this decision, we will cite only to Samsung’s Petition.

⁵ Paper 21 is the redacted version of the Patent Owner Response. Paper 20 is the unredacted version of that Response.

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(collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 11 of the ’458 patent is unpatentable. Paper 45 (“Final Dec.”), 27. Patent Owner requests rehearing of the Final Decision. Paper 46 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that claim 11 (“the challenged claim”) is directed to patent-ineligible subject matter. Req. Reh’g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and alleged differences

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between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “[t]he issue of whether claim 11 was similar to the *DDR Holdings* claims was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11-12.” Request 7 n.4. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “[t]he issue of whether claim 11 is directed to an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 10-27; *see also* Tr. 46:21-47:11.” (*id.* at 11 n.6) and “[t]he issue of whether claim 11 contains ‘additional features’ beyond an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11-12, 18-19” (*id.* at 12 n.8). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already

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made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner’s arguments are either new or were addressed in our Final Decision. For example, Patent Owner’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* Paper 21 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Fin. Dec. 16) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 16), holding that claim 11 was not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Patent Owner’s arguments about inventive concept (Req. Reh’g 5–7, 12–15) were addressed at pages 9–14 of our Final Decision, Patent Owner’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 18–20 of our final Decision, and Patent Owner’s arguments about *DDR Holdings* (Req. Reh’g. 5–10) were addressed at pages 14–18 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

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ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

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Paper 45
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00119 (Patent 8,033,458 B2) has been consolidated with this proceeding.

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INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”)² filed a Petition to institute covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a transitional covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claim 11 is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claim 11 of the ’458 patent based on the same ground. CBM2015-00119 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of their newly filed case with Samsung’s previously instituted case. CBM2015-00119 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.⁴ Paper 29; CBM2015-00119, Paper 11.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 21, “PO Resp.”)⁵ and Samsung and Apple

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

⁴ For purposes of this decision, we will cite only to Samsung’s Petition.

⁵ Paper 21 is the redacted version of the Patent Owner Response. Paper 20 is the unredacted version of that Response.

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(collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 11 of the ’458 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’458 Patent

The ’458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The ’458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5.

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The '458 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

C. Challenged Claims

Petitioner challenges claim 11, which depends from independent claim 6. Claims 6 and 11 are reproduced below:

6. A data access device for retrieving stored data from a data carrier, the device comprising:
 - a user interface;
 - a data carrier interface;
 - a program store storing code implementable by a processor; and
 - a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
 - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
 - code to access the stored data when access is permitted.

Id. at 27:8–23.

11. A data access device according to claim 6 wherein said use rules permit partial use of a data item stored on the carrier and further comprising code to write partial use status data to the data carrier when only part of a stored data item has been accessed.

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Id. at 28:14–18.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 11 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19–35. Petitioner submitted a declaration from Jeffrey Bloom, Ph.D. in support of its Petition. Ex. 1003 (“Bloom declaration”)⁶.

Patent Owner contends that the challenged claims are patent-eligible.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of

⁶ In its Response, Patent Owner argues that the Bloom declaration should be given little or no weight. PO Resp. 3–6. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Bloom declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion, discussed below.

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matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice*

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long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claim is directed to the abstract idea of “regulating authorized use of information.” Pet. 22. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–25; *see also* Tr. 46:21–47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claim is drawn to a patent-ineligible abstract idea. Specifically, the challenged claim is directed to conditioning and controlling access to content (which is analogous to the characterization of the abstract idea proposed by Petitioner). For example, claim 6 (from which claim 11 depends) recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted” and

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claim 11 recites “code to write partial use status data” and that “wherein said use rules permit partial use of a data item.”⁷

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7–25. The ’458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See id.* at 2:20–23 (“This invention is . . . particularly . . . relate[d] . . . to computer systems for providing access to data.”). Although the specification discusses data piracy on the Internet (*see id.* at 1:29–39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the ’458 patent specification, is controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’458 patent specification and the language of the challenged claim, that claim 11 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of

⁷ Although our final decision in CBM2015-00016 determined claim 11 to be indefinite, that determination does not prevent us from determining whether claim 11 is patent-eligible under § 101. For example, the determination that claim 11 is indefinite was based on the uncertainty as to whether “said use rules” in claim 11 refers to the “use rule data” recited in claim 6 or a new “use rule” limitation. Neither interpretation saves the claim from being directed to an abstract idea. Nor does either interpretation involve an inventive concept, as discussed below.

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intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’458 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Pet. Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 11 of the ’458 patent does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global*

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Servs., 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claims are generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 23–29; Pet. Reply 11–20.

a. Technical Elements

Petitioner argues that the challenged claim is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’458 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4–5, 16:46–49, 21:33–38)). Patent Owner disagrees, arguing that the challenged claim is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 15–16 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to existing supplier-defined access rules appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

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Further, the claimed computer code simply performs generic computer functions, such as retrieving, accessing, evaluating, and writing. *See* Pet. 23–29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 11 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” *See* PO Resp. 15. The challenged claim does not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” recited in claim 6 is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an unconventional manner. Moreover, the challenged claim lists several generic data types, such as “use status data,” “use rules data,” and “code.” We are not persuaded that the listing of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”)

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(brackets in original). In addition, the '458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claim does not cover a “particular machine.” Pet. 31–33; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claim does not transform an article into a different state of thing. Pet. 33–35.

Thus, we determine, the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

To the extent Patent Owner argues that the challenged claim includes an “inventive concept” because of the specific combination of elements in the challenged claim, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

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PO Resp. 11. Patent Owner further contends that “the claimed data access terminals enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content.⁸ *See, e.g.*, Pet. 40–41 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet. 46 (citing Ex. 1005,

⁸ We have already determined in a final written decision on the ’458 patent, addressing claim 6 from which claim 11 depends, that the concept of combining the content and conditions for providing access to the content on the same device was known. *See* Case CBM2015-00016, Paper 56, 13–14.

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6:58–61 (“Among other things, repositories are used to store digital works, control access to digital works, bill for access to digital works and maintain the security and integrity of the system); *see also* Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language **in combination with** the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”). To the extent Patent Owner argues that the challenged claim covers storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 11)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claim is directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged

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claim is “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

Id.

Petitioner responds that the challenged claim is distinguishable from the claims in *DDR Holdings*. Pet. Reply 18–20. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved,

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automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claim is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims “are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 16–17 (identifying other contexts in which data piracy is a problem). For example, potential data piracy of CDs is addressed by copyright protection. *See* Ex. 1001, 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology. *See* Pet. Reply 14–16.

Even accepting Patent Owner’s assertion that the challenged claim addresses data piracy on the Internet (PO Resp. 11), we are not persuaded that it does so by achieving a result that overrides the routine and

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conventional use of the recited devices and functions. In fact, the differences between the challenged claim and the claim at issue in *DDR Holdings* are made clear by Patent Owner in its tables mapping claims 6 and 11 of the '458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 13–15. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6.⁹ *Id.* Patent Owner, however, fails to identify how this limitation in claim 6 is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, this limitation, like all the other limitations of the challenged claim, is “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. The limitations of the challenged claim merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The challenged claim is like the claims at issue in *Ulramercial*. The *Ulramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in the challenged claim comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine, additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as

⁹ Patent Owner does not identify any of the additional features specifically recited in claim 11 as corresponding to the limitation from *DDR Holdings*.

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updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claim is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Preemption

Petitioner argues that “claim 11 of the ’458 patent preempts all effective uses of the abstract idea of regulating authorized use of information.” Pet. 29. Patent Owner responds that the challenged claim does not result in inappropriate preemption. PO Resp. 18–24. According to Patent Owner, the challenged claim does not attempt to preempt every application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 19 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claim does not raise preemption concerns. *Id.* at 20–24.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test

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considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 20–24 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims

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are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea that does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in and resolved by this inquiry.

d. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 25–26); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 26–27).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 26.

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3. *Conclusion*

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 11 of the '458 patent is unpatentable under § 101.

C. Petitioner's Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 35, 3–4. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner's Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 35, 4–6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Petitioner adds that "during its direct examination of Dr. Bloom, [Petitioner] never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Petitioner's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claims at issue, but for purposes of challenging the credibility of Petitioner's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding the issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

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In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Petitioner argues that in these excerpts, Patent Owner attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6. According to Petitioner, because “Dr. Bloom has not been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

D. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 31, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

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Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom's testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 31, 1–10. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom's declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." *Id.* Patent Owner also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom 'reliably applied the principles and methods to the facts of the case.'" *Id.* at 3–4.

Petitioner counters that, consistent with the requirements of 37 C.F.R. § 42.65, "Dr. Bloom's testimony disclosed underlying facts and data upon which his opinions were based." Paper 38, 4. Petitioner also argues that experts are not required to recite the "preponderance of the evidence" standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom's Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

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We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of experience in relevant technologies. *Id.* at ¶¶ 5–14. We are, therefore, not persuaded by Patent Owner’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 31, 5–6. Because these paragraphs also support Petitioner’s assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. *Id.* at 6. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

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Patent Owner also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. *Id.* at 6–7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102–107, 122–125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. *Id.* at 7–10. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 38, 9–11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 41, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

Exhibits 1004–1006

Patent Owner seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 31, 10–11.

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Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’ and, thus, are relevant to the question of patent eligibility. Paper 38, 11–12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

Exhibit 1028

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 11. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’458 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’458 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 38, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

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Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner's reply brief, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 12. According to Patent Owner, the document has an alleged publication after the effective filing date of the '458 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 38. Petitioner, however, does address the relevance of this document in its reply brief, stating that Exhibit 1039 was relied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '458 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Pet. Reply 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 11 of the '458 patent is determined to be *unpatentable*;

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FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;
and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 7
Entered: April 2, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,

Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, and PETER P. CHEN,
Administrative Patent Judges.

CHEN, *Administrative Patent Judge.*

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

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INTRODUCTION

A. Background

Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. (“Petitioner”) filed a Petition requesting covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 2 (“Pet.”).² Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, we determine that the ’458 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that the challenged claim is unpatentable. Accordingly, we institute a covered business method patent review of claim 11 of the ’458 patent.

B. Asserted Grounds

Petitioner contends that the challenged claim is unpatentable under 35 U.S.C. §§ 101 and/or 103 in view of Stefik ’235,³ Stefik ’980,⁴ and Gruse.⁵

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

² Samsung Telecommunications America LLC, originally a Petitioner and real-party-in-interest at the time of filing the Petition, has merged with and into Petitioner Samsung Electronics America, Inc. as of January 1, 2015, and no longer exists as a separate corporate entity. Paper 6, 1.

³ U.S. Patent No. 5,530,235 (Ex. 1004) (“Stefik ’235”).

⁴ U.S. Patent No. 5,629,980 (Ex. 1005) (“Stefik ’980”).

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Pet. 3. Petitioner also provides a declaration from Jeffrey A. Bloom, Ph.D.
Ex. 1003.

C. Related Matters

The parties indicate that the '458 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co. Ltd.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 1; Paper 4, 2–3. Patent Owner also indicates that the '458 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 4, 3. Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, filed by Apple Inc. *See* Paper 4, 2.

Petitioner filed a concurrent Petition for covered business method patent review of the '458 patent: CBM2014-00197 (“the 197 Petition”).⁶ In addition, Petitioner filed eight other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00190; CBM2014-00193; CBM2014-00194; CBM2014-00196; CBM2014-00198; CBM2014-00199; CBM2014-00200; and CBM2014-00204.

⁵ PCT Publication No. WO 00/08909 (Ex. 1006) (“Gruse”).

⁶ Patent Owner argues that the multiple Petitions filed against the '458 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 9–12. The page limit for a Petition requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of this Petition and the 197 Petition meets that requirement.

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D. The '458 Patent

The '458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and “corresponding methods and computer programs,” and to a data access device for retrieving stored data from a data carrier, where the data access device uses “use status data and use rules to determine what access is permitted to data stored on the data carrier.” Ex. 1001, 1:21–25, 9:7–22. Owners of proprietary data, especially audio recordings, have an urgent need to address the growing prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–55. The '458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet without fear of revenue loss caused by data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. In addition, the data access device comprises a user interface, a data carrier interface, a program store storing code implementable by a processor, and a processor coupled to the user interface, data carrier interface and program store. *Id.* at 9:7–13. The '458 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled

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person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Challenged Claim

Petitioner challenges claim 11 of the '458 patent. Claim 11 depends from claim 6. Claims 6 and 11 recite the following:

6. A data access device for retrieving stored data from a data carrier, the device comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;

code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and

code to access the stored data when access is permitted.

Ex. 1001, 27:8–23.

11. A data access device according to claim 6 wherein said use rules permit partial use of a data item stored on the carrier and further comprising code to write partial use status data to the data carrier when only part of a stored data item has been accessed.

Id. at 26:25–28.

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ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.100(b); *see also In re Cuozzo Speed Techs., LLC*, 2015 WL 448667 at *7 (Fed. Cir. Feb. 4, 2015) (“We conclude that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.”). Applying that standard, we interpret the claim terms of the ’458 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this decision, we construe the claim term “use rules.”

The term “use rules” is recited in claim 11.⁷ Neither party proposes a construction of “use rules.” The ’458 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1001, Abstract) and as “indicating permissible use of data stored on the carrier” (*id.* at 9:14–16).

⁷ We note that claim 11’s recited “said use rules” lacks antecedent basis, because independent claim 6, from which claim 11 depends, does not recite “use rules,” but rather recites “use rules data.” Ex. 1001, 27:18, 27:20–21. Neither party has yet addressed any resulting issues under 35 U.S.C. § 112. The lack of explicit antecedent basis for claim terms does not always render a claim indefinite, if the scope of the claim may be reasonably ascertainable by those skilled in the art. *Energizer Holdings, Inc. v Int’l Trade Comm’n*, 435 F.3d 1366, 1370 (Fed. Cir. 2006). For purposes of this Decision, we construe “use rules,” and expect further explication of this issue by the parties during trial.

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The '458 patent also describes “evaluating the use status data using the use rules to determine whether access to the stored data is permitted.” *Id.* at 6:38–40; *see also id.* at 21:48–53 (“[E]ach content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.”). Accordingly, for purposes of this decision, we construe “use rules” as rules specifying a condition under which access to content is permitted.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner refers to independent claim 6 and challenged dependent claim 11 in arguing that the '458 patent is eligible for covered business method patent review. Petitioner asserts that:

the claimed use rules [in claim 6] may be linked to payments made from the [standard smart] card to provide payment options such as access to buy content data outright; rental access to content data for a

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time period or for a specified number of access events; and/or rental/purchase.

Pet. 7; Ex. 1001, 5:1–8. Petitioner continues, “the claimed use rules are linked to payment data and are used to ensure that stored data is only accessible by paying customers. . . . Indeed, the specification of the ’458 patent is replete with further examples of financial activity.” Pet. 7. We agree with Petitioner that claim 6, while not specifically reciting payment validation, satisfies the financial-in-nature requirement by virtue of its recitation of use rules.

Challenged claim 11 recites “a data access device according to claim 6 wherein said use rules permit partial use of a data item stored on the carrier.” Ex. 1001, 28:14–16. As with claim 6, the limitations of claim 11 recite conditional access to data, although not explicitly reciting payment validation. Claim 11, however, requires that access is conditioned on satisfaction of use rules, which the Specification states “may be linked to payments made from the card to provide payment options such as access to buy content data outright; rental access to content data . . . and/or rental purchase.” Ex. 1001, 5:1–8.

Based on this record, we agree with Petitioner that the subject matter recited by claim 11 is directed to activities that are financial in nature, namely data access conditioned on satisfaction of use rules that are linked to payment data. We are persuaded that such access is a financial activity, and conditioning data access based on use rules linked to payment data amounts to a financial service. This is consistent with the Specification of the ’458 patent, which confirms claim 11’s connection to financial activities by

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stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23.

Patent Owner disagrees that claim 11 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that the section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 3–6. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 11 is not directed to an apparatus or method that is financial in nature because claim 11 “actually

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makes no mention of payment or specifics of how payment is made.”

Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. Prelim. Resp. 7.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’458 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. Exclusion for Technological Inventions

Petitioner asserts that the ’458 patent does not fall within § 18(d)(1)’s exclusion for “technological inventions.” Pet. 8–10. In particular, Petitioner argues that the ’458 claims do not recite a technological feature that is novel and unobvious, or solve a technical problem using a technical solution. *Id.* Patent Owner disagrees and argues that “claim 11, as a whole, recites at least one technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution.” Prelim. Resp. 8.

Petitioner states that even “the computer-related terms recited in the ’458 patent’s claims do in fact relate to technology that is merely, in the words of the patentee, ‘conventional.’” Pet. 9; Ex. 100, 4:4–5. . We note that Claim 6, on which claim 11 depends, recites well known computer hardware components such as a “user interface,” a “processor,” and a storage component (“program store storing code”). Ex. 1001, 27:10–14. Claim 11 further recites a data carrier, a generic hardware device known in the prior art. Pet. 9. The Specification discloses, for instance, that a portable data carrier may be a “standard smart card.” *See* Ex. 1001, 11:28–29.

In addition, the ’458 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware,

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but in the method of controlling access to data. For example, the '458 patent states that “there is an urgent need to find a way to address the problem of data piracy” (*id.* at 1:52–55), while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Thus, we determine that claim 11 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 11 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed toward solving the technological problem of “retrieving stored data from a data carrier” with the technological solution of “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted.” Prelim. Resp. 8. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 11 is a business problem—data piracy. Pet. 10–11. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Thus, based on the particular facts of this proceeding, we conclude that claim 11 does not recite a technological invention and is eligible for a covered business method patent review.

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3. *Conclusion*

In view of the foregoing, we conclude that the '458 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

C. 35 U.S.C. § 101

Petitioner challenges claim 11 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19–35. Petitioner asserts that the challenged claim is directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Petitioner argues that the challenged claim is directed to the abstract idea of “regulating authorized use of information.” Pet. 21–22.

Patent Owner argues that the challenged claim is directed to a more narrow invention than that asserted by Petitioner. Prelim. Resp. 12–13. Patent Owner specifically cites to the limitations “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to write partial use status data to the data carrier when only part of a stored data item has been accessed,” as evidence that claim 11, which incorporates the limitations of claim 6, “is not preemptory as asserted and is, at least for that reason, directed to statutory subject matter.” *Id.* Based on the analysis of the challenged claims using the two-step process set forth in *Alice Corp. Pty, Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), as discussed below, we agree with Samsung that claim 11 of the '458 patent is more likely than not directed to patent-ineligible subject matter.

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-

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eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, challenged claim 11 recites a “machine” under § 101, i.e., a “data access device according to claim 6.” Ex. 1001, 27:8. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claim is more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claim “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

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Petitioner contends that the challenged claim is directed to “the abstract idea of regulating authorized use of information.” Pet. 21–22. As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. Ex. 1001, 9:7–25. The ’458 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and payment data. *Id.* Abstract, 1:59–2:15. We are persuaded, on this record, that the claimed “device” is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that claim 11 of the ’458 patent adds an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). As

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discussed above, the Specification treats as well-known all potentially technical aspects of claim 11, which also incorporates the limitations of claim 6, including “interface,” “program store,” “processor,” “data carrier,” and code to retrieve, evaluate, and access data, and write partial use data. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that claim 11 is unpatentable under 35 U.S.C. § 101.

D. Obviousness over Gruse, Stefik ’235, and Stefik ’980

Petitioner argues that claim 11 is unpatentable under 35 U.S.C. § 103(a) as obvious over Gruse and Stefik. Pet. 35–60.

The ’458 patent claims priority to international PCT Application No. GB00104110 (“the ’110 Appln”), filed on October 25, 2000, which claims priority to UK Application No. 9925227.2 (“the GB application”), filed on October 25, 1999. Ex. 1001, 1:6–16.

Gruse was published February 24, 2000. Ex. 1006, 1.

Petitioner’s obviousness ground is based on a combination that includes Gruse. Pet. 35–62. According to Petitioner, Gruse is prior art to the claim 11 under 35 U.S.C. § 102(a)⁸ because the date of its publication—February 24, 2000—is before the earliest filing date to which claim 11 is

⁸ The ’598 patent was filed prior to the effective date of the AIA § 102 (March 16, 2013) and is governed by pre-AIA § 102(a). AIA § 3(n)(1).

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entitled—October 25, 2000 (the filing date of '110 Appln.). Pet. 4.
Petitioner's position is that the challenged claim 11 lacks written description support in the GB application. *Id.* at 14–19. *See Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008); *Ariad Pharms., Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). Petitioner argues that “because the specification of the GB application fails to support the Challenged Claim . . . the effective filing date of the Challenged Claim is no earlier than Oct. 25, 2000, the filing date of the ‘110 Appln.” Pet. 15. Specifically, Petitioner argues that with respect to independent claim 6, from which challenged claim 11 depends, the GB application's

scant disclosure fails to support many limitations recited in the Challenged Claim. For example, referenced at (3) in the above annotation, claim 6 of the '458 Patent recites “code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier; code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and code to access the stored data when access is permitted.” *The purported limitation of access control to stored data on the carrier is not supported by the disclosure of the 227.2 Appln.*

Pet. 17–18 (emphasis added). Petitioner further argues that the GB application does not “reveal evaluation of the stored usage information by leveraging use rules data to determine whether access is permitted to the stored data.” Pet. 18. As Patent Owner states, however, Petitioner's contention regarding “leveraging” of use rules data “does not sufficiently explain how such an allegation relates to the actual claim language” of claim 6 or claim 11. Prelim. Resp. 19. Furthermore, as argued by Patent Owner,

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the “purported limitation of access control to stored data on the carrier” is indeed supported by the GB application.

Specifically, Patent Owner argues that the “purported limitation of access control to stored data on the carrier” (*see* Pet. 18) is supported by the following disclosure in the GB application:

The data storage means and/or the retrieval device can be provided with access control means to prevent unauthorised access to the downloaded data. Alternatively, this access control means can be used to stop or provide only limited access of the user to the downloaded data in accordance with the amount paid. Thus, for example, a complete set of data information relating to a particular topic, a particular music track, or a particular software package might be downloaded, although access to part of the data set might thereafter be controlled by payments made by a user at a later stage. Thus, a user could pay to enable an extra level on a game or to enable further tracks of an album.

Prelim. Resp. 18–19 (quoting Ex. 1008, 3–4).

Based on our review of the record before us, Petitioner has not sufficiently persuaded us that the GB application does not provide written description support for the “purported limitation of access control to stored data on the carrier” In particular, the GB application describes “access control means to prevent unauthorized access to the downloaded data” and “to stop or provide only limited access of the user to the downloaded data in accordance with the amount paid.” Ex. 1008, 4. Thus, the GB application explicitly describes access control to stored data. We determine that this disclosure “reasonably conveys to those skilled in the art that the inventor had possession” of claim 11’s “purported limitation of access control to stored data on the carrier.” *Ariad Pharms.*, 598 F.3d at 1351.

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Therefore, we are not persuaded that Petitioner has shown sufficiently that challenged claim 11 is not entitled to the benefit of the GB application's filing date. Because we are not persuaded that claim 11 is not entitled to a priority date of October 25, 1999, we are not persuaded that Gruse is prior art under 35 U.S.C. § 102(a).

Accordingly, on this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 11 is unpatentable as obvious over Gruse, Stefik '235, and Stefik '980.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claim 11 of the '458 patent under 35 U.S.C. § 101, as discussed above.

The Board has not made a final determination on the patentability of the challenged claim.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on claim 11 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

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Paper 11
Entered: August 6, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00119
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review and Grant of Motion
for Joinder

37 C.F.R. § 42.208

37 C.F.R. § 42.222(b)

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I. INTRODUCTION

Petitioner, Apple Inc. (“Apple”), filed a Petition requesting covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 (Ex. 1001, “the ’458 patent”) (Paper 2, “Pet.”). On June 1, 2015, Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response (Paper 7, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Concurrently with its Petition, Apple filed a Motion for Joinder (Paper 3, “Mot.”), seeking to consolidate this case, under 35 U.S.C. § 325(c), with the covered business method patent review in *Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. v. Smartflash, LLC*, Case CBM2014-00192 (“the Samsung CBM”), which was instituted on April 2, 2015. *See* CBM2014-00192 (Paper 7, 19) (instituting review of claim 11 of the ’458 patent under 35 U.S.C. § 101). Smartflash does not oppose Apple’s Motion for Joinder. Paper 10, 1.

For the reasons explained below, we institute covered business method patent review of claim 11 of the ’458 patent and grant Apple’s Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND ASSERTED IN THE SAMSUNG CBM

In view of the identity of the challenge in the instant Petition and that instituted in CBM2014-00192, we determine that it is more likely than not

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that Petitioner will prevail on its challenge that claim 11 of the '458 patent is unpatentable. We previously have determined that the '458 patent is a “covered business method patent.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2014-00192, Paper 7, 7–12 (determining that the '458 patent is eligible for covered business method patent review based on claim 11); CBM2014-00106, Paper 8, 9–13 (determining that the '458 patent is eligible for covered business method patent review based on claim 1); CBM2015-00016, Paper 23, 12–16 (determining that the '458 patent is eligible for covered business method patent review based on claim 1).

Smartflash argues that “Petitioner has cited claim 11 as being the basis for requesting that a covered business method review be instituted,” but “claim 11 does not, in fact, meet the requirements for instituting a review.” Prelim. Resp. 8. As noted above, however, the '458 patent already has been determined to be a covered business method patent based on claim 11, and Smartflash fails to identify error in that determination. Further, as also noted above, we previously have determined that the '458 patent contains at least one other claim meeting the covered business method patent review requirements (e.g., claim 1). *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8) (a patent need have only one claim directed to a covered business method to be eligible for review).

Here, Apple challenges the same claim (claim 11), based upon the same ground, 35 U.S.C. § 101, for which covered business method patent review was instituted in the Samsung CBM. Pet 14–31; Mot. 8–9. We have reviewed the Preliminary Response presented by Smartflash and are not

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persuaded that we should deny institution in this proceeding. In its Preliminary Response, Smartflash does not attempt to rebut Apple's contentions regarding the unpatentability of claim 11 under 35 U.S.C. § 101. Rather, Smartflash argues that the Petition should be denied because it "disregards the Board's exercise of discretion in CBM2015-00016" (Prelim. Resp. 4) and "would be contrary to the PTAB's mandate" of securing the just, speedy, and inexpensive resolution of every proceeding (*id.* at 5). These arguments are not persuasive.

As Apple notes (Mot. 7–8), we declined to institute CBM review of claim 11 in CBM2015-00016 because we had already instituted review of that claim on § 101 grounds in the Samsung CBM (CBM2015-00016, Paper 23, 20). In its Motion for Joinder, Apple requests that it

be permitted to join these proceedings to ensure that, even if Samsung should seek to terminate its involvement in CBM2014-00192 (*e.g.*, as a result of settlement), Apple would be able to see the § 101 challenge to claim 11 through to a final written decision, since it was not permitted to do so in CBM2015-00016.

Mot. 8. Apple notes that in this proceeding, the "petition does not assert any new grounds of unpatentability. It involves the same '458 patent and—as discussed above—the same arguments, evidence and grounds of unpatentability as the Board instituted in CBM2014-00192." *Id.* Apple further notes that it has "re-filed the same expert declaration submitted by Samsung, and so this declaration contains no material that is not already in the previously-filed declaration" and "a second deposition of a second expert is not necessary." *Id.* at 9.

Based on the specific facts of this case, we institute a covered business method patent review in this proceeding on the same ground,

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namely under 35 U.S.C. § 101, as that on which we instituted in the Samsung CBM for claim 11 of the '458 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

As noted above, Smartflash does not oppose Apple's request to consolidate this Petition with the Samsung CBM. Paper 10, 1.

As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is the challenge to claim 11 of the '458 patent based on 35 U.S.C. § 101. Apple, thus, does not assert any new ground of unpatentability that is not already being considered in the Samsung CBM. Mot. 8. Further, as noted above, Apple represents that the Petition includes the same arguments and relies on the same evidence and grounds of unpatentability that were the basis for the Board's decision to institute trial in the Samsung CBM. *Id.* at 8–9.

Under the circumstances, we conclude Apple has demonstrated that consolidation of the two cases will not unduly complicate or delay the Samsung CBM, and therefore, we grant Apple's Motion for Joinder to consolidate this proceeding with the Samsung CBM. All filings in the consolidated proceeding will be made by Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. ("Samsung") on behalf of Samsung and Apple. Apple shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Apple shall not seek any additional discovery beyond that sought by Samsung.

Samsung and Apple shall resolve any disputes between them concerning the conduct of the consolidated proceedings and contact the

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Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation.

In consideration of the above, we institute a covered business method patent review in CBM2015-00119 and grant Apple's Motion for Joinder.

IV. ORDER

Accordingly, it is

ORDERED that the challenge to claim 11 in CBM2015-00119, as unpatentable under 35 U.S.C. § 101, is instituted;

FURTHER ORDERED that this proceeding is consolidated with CBM2014-00192;

FURTHER ORDERED that the ground on which CBM2014-00192 was instituted is unchanged, and no other grounds are instituted in the consolidated proceeding;

FURTHER ORDERED that the Scheduling Order in place for CBM2014-00192 shall govern the consolidated proceeding;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Samsung as a single, consolidated filing on behalf of Samsung and Apple, and Samsung will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Samsung will conduct cross-examination and other discovery on behalf of Samsung and Apple, and that Smartflash is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

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FURTHER ORDERED that CBM2015-00119 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2014-00192;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2014-00192 and CBM2015-00119; and

FURTHER ORDERED that the case caption in CBM2014-00192 shall be changed to reflect consolidation with this proceeding in accordance with the attached example.

CBM2015-00119
Patent 8,033,458 B2

FOR PETITIONER:

FOR PATENT OWNER:

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS LTD, SAMSUNG ELECTRONICS
AMERICA, INC., and APPLE INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

¹ CBM2015-00119 has been consolidated with this proceeding.

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Paper 47
Entered: June 10, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193¹
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00120 (Patent 8,061,598 B2) has been consolidated with this proceeding.

CBM2014-00193
Patent 8,061,598 B2

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claim 7 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claim 7 (“the challenged claim”) is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claim of the ’598 patent based on the same ground. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00120 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings. Paper 29; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120, (Paper 13).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 20, “PO Resp.”) and Samsung and Apple (collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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Patent 8,061,598 B2

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 7 of the '598 patent is unpatentable. Paper 45 (“Final Dec.”), 27.

Patent Owner requests rehearing of the Final Decision. Paper 46 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that claim 7 is directed to patent-ineligible subject matter. Req. Reh’g 1. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and alleged differences between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “specifically identify all matters the party believes the Board

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Patent 8,061,598 B2

misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “the issue of whether the claim was similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 10–12.” Request 6 n.3. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “the issue of whether Claim 7 is directed to an abstract idea was previously addressed. See PO Resp. 9–20; see also Tr. 46:21–47:11” (*id.* at 10 n.5) and “the issue of whether the claim contains ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 11–12” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

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Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* PO Resp. *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 6 (citing Final Dec. 14) (“The Board rejected Patent Owner's reliance on *DDR Holdings* (at 14), holding that Claim 7 was not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5–6, 12–15) were addressed at pages 9–12 and 16–17 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6) were addressed at pages 17–20 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 6–9) were addressed at pages 12–16 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

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Paper 45
Entered: March 30, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193¹
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00120 (Patent 8,061,598 B2) was consolidated with this proceeding.

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Patent 8,061,598 B2

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claim 7 (the “challenged claim”) of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claim 7 (“the challenged claim”) is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claim of the ’598 patent based on the same ground. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00120 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.³ Paper 29; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120, (Paper 13).

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ For purposes of this decision, we will cite only to Samsung’s Petition.

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Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 20, “PO Resp.”) and Petitioner filed a Reply (Paper 31, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 (“Tr.”).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 7 of the ’598 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining claim 26 of the ’598 patent unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, (PTAB Sept. 25, 2015) (Paper 50).

C. The ’598 Patent

The ’598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1001, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–55. The ’598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet with less fear of piracy. *Id.* at 2:11–15.

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As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. The ’598 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claim

Petitioner⁴ challenges claim 7 of the ’598 patent. Claim 7 depends from claim 1, which is not explicitly challenged in this proceeding. Claims 1 and 7 recite the following:

1. A portable data carrier comprising:
 - an interface for reading and writing data from and to the portable data carrier;
 - content data memory, coupled to the interface, for storing one or more content data items on the carrier;
 - use rule memory to store one or more use rules for said one or more content data items;
 - a program store storing code implementable by a processor;
 - and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

⁴ We refer to Samsung and Apple collectively as “Petitioner.”

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Ex. 1001, 25:54–67.

7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.

Id. at 26:25–28.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 7 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–32. According to Petitioner, the challenged claim is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. in support of its Petition.⁵ Ex. 1003. Patent Owner argues that the subject matter claimed

⁵ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3–4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

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by claim 7 is statutory because it is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy on the Internet.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)).

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “portable data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between

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patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claim is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23. Although Patent Owner does not concede, in its brief, that the challenged claim is directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–20; *see also* Paper 43 (transcript of oral hearing) 46:21–47:11 (Patent Owner arguing that the subject matter of the claim is not an abstract idea, but conceding this argument was not made in the briefs).

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We are persuaded that the challenged claim is drawn to a patent-ineligible abstract idea. Specifically, the challenged claim is directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” Furthermore, as discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59–2:4. The ’598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15.

Although the Specification refers to data piracy on the Internet, the challenged claim is not limited to the Internet. The underlying concept of the challenged claim, particularly when viewed in light of the Specification, is conditioning and controlling access to content based upon payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

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We are, thus, persuaded, based on the Specification and the language of the challenged claim, that claim 7 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’598 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Pet. Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 7 of the ’598 patent does not add an inventive concept sufficient to ensure that

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the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claim are generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 23–27; Pet. Reply 11–19.

a. Technical Elements

Petitioner argues that the challenged claim is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’598 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4–5, 16:46–49, 21:33–38). Patent Owner disagrees, arguing that the challenged claim is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 11 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claim, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 4:4–5, 16:46–53, 18:7–11). With respect to the “portable data carrier” recited in claim 1, for example, the Specification states it may be a generic device such as “a standard smart card.” Ex. 1001,

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11:27–29; *see also id.* at 14:25–29 (“[I]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. With respect to the “payment validation system” recited in claim 7, the Specification states that it “may be part of the data supplier’s computer systems or it may be a separate e-payment system.” *Id.* at 8:63–65); *see also* 13:36–38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”).

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 23–29; Pet. Reply 14–16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 7 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 11. The challenged claim recites several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the

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underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent simply discloses these memories and data types with no description of the underlying implementation or programming that results in these data constructs. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claim does not cover a “particular machine.” Pet. 29–31; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claim does not transform an article into a different state of thing. Pet. 31–32.

Thus, we determine, the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claim is directed to statutory subject matter because the claimed solution is “necessarily rooted in computer

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technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claim is “directed to a particular device that can download and store digital content into a data carrier along with at least one use rule,” and that

By using a system that combines on the data carrier the digital content, at least one use rule, payment data, and “code to provide the payment data to a payment validation system,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected, and additional content can be obtained.

Id. at 10.

Petitioner responds that the challenged claim is distinguishable from the claims in *DDR Holdings*. Pet. Reply 17–19. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a

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hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that the challenged claim is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claim “[is] rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy on the Internet.” PO Resp. 1. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 16–17 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001, 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer

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technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Pet. Reply 16–19.

Even accepting Patent Owner’s assertion that the challenged claim addresses data piracy on the Internet (PO Resp. 1), we are not persuaded that it does so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claim and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claim of the ’598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 7 of the ’598 patent recites “code to provide the payment data to a payment validation system.” There is no language in this claim, in claim 1 from which it depends, or in the Specification, that demonstrates that the generic computer components—“code to provide the payment data” and “payment validation system”—function in an unconventional manner or employ sufficiently specific programming. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of the challenged claim, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial, Inc.*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claim, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in the challenged claim, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar

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to the claims in *Ultramercial*, the majority of limitations in the challenged claim comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claim is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claim includes an “inventive concept” because of the specific combination of elements in the challenged claim, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8 (quoting Ex. 1001, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules, and payment data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that “[b]y comparison,

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unlike a system as claimed, when a DVD was physically rented for a rental period, there was no mechanism associated with the DVD to purchase additional content.” *Id.* at 8–9.

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content. *See, e.g.*, Pet. 35 (citing Ex. 1006, 11:25–27 (“The application embeds a digital code in every copy of the Content that defines the allowable number of secondary copies and play backs.”), 37–38 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content))). Because the concept of combining the content and conditions for providing access to the content on the same device was known, it does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the challenged claim “preempts all effective uses of the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 27. Patent Owner responds that the challenged claim does not

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result in inappropriate preemption. PO Resp. 12–17. According to Patent Owner, the challenged claim does not attempt to preempt every application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 12–13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claim does not raise preemption concerns. *Id.* at 15, 17.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives

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to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 19–22 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claim is drawn to an abstract idea and does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive

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alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 19); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 20).

We are not persuaded by either argument. Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Patent Owner also does not provide any authority for its assertion that “[t]he question of whether claim 7 is directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 20.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 7 of the '598 patent is unpatentable under § 101.

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MOTIONS TO EXCLUDE

A. Petitioner's Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 36, 3. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner's Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence (“FRE”) 401 and 402 (Paper 36, 4–6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is “unrelated to the instant CBM proceeding” and “is of no consequence to the validity of the patent claims at issue.” *Id.* at 4. Petitioner adds that “[Petitioner], during its direct examination of Dr. Bloom, never opened [the] door to such questions.” *Id.* at 8.

We are not persuaded by Petitioner's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Petitioner's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Petitioner argues that in these excerpts, “[Patent Owner] attempted to

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solicit testimonies from Dr. Bloom as to whether ‘the SiriusXM Internet Radio product that allows off-line playback [is] a subscription-based product’” and that “[Patent Owner] further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (citing PO Resp. 6). According to Petitioner, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003–1006, 1028, and 1039. Paper 31, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under

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various Board and Evidentiary rules. Paper 31, 1–9. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom’s declaration “does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions.” *Id.* at 2. Patent Owner also seeks to exclude this testimony under FRE 702 because “the Board cannot assess under FRE 702 whether Dr. Bloom’s opinion testimony is ‘based on sufficient facts or data,’ is ‘the product of reliable principles and methods,’ or if Dr. Bloom ‘reliably applied the principles and methods to the facts of the case.’” *Id.* at 3–4.

Petitioner counters that consistent with the requirements of 37 C.F.R. § 42.65, “Dr. Bloom’s testimony discloses underlying facts and data on which his opinions were based.” Paper 38, 4. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom’s Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of

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experience in relevant technologies. *Id.* ¶¶ 5–14. We are, therefore, not persuaded by Patent Owner’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 31, 5–6. Because these paragraphs also support Petitioner’s assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. Paper 31, 6. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 62, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 31, 6–7. We understand that in these paragraphs, Dr. Bloom is not

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giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102–107, 122, 123–125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 31, 7–10. Petitioner responds to these objections by filing, as supplemental evidence, previously-served supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 38, 9–11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 41, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

2. Exhibits 1004–1006

Patent Owner seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 31, 10–11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-

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for/licensed content” and, thus, are relevant to the question of patent eligibility. Paper 38, 11.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. *Exhibit 1028*

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 11. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the '598 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the '598 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 38, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

4. *Exhibit 1039*

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner’s Reply, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 12. According to Patent Owner, the document has an alleged publication after the effective filing date of the '598 patent. *Id.* Patent

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Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 38. Petitioner does, however, address the relevance of this document in its Pet. Reply (Paper 28), stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '598 Patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Pet. Reply 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 7 of the '598 patent is determined to be *unpatentable*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 7
Entered: April 2, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, and PETER P. CHEN,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

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INTRODUCTION

A. Background

Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. (“Petitioner”)¹ filed a Petition requesting covered business method patent review of claim 7 (the “challenged claim”) of U.S. Patent No. 8,061,598 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 2 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, we determine that the ’598 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that the challenged claim is unpatentable. Accordingly, we institute a covered business method patent review of claim 7 of the ’598 patent.

B. Asserted Grounds

Petitioner contends that the challenged claim is unpatentable under 35 U.S.C. §§ 101 and/or 103 in view of Stefik ’235,³ Stefik ’980,⁴ and

¹ Samsung Telecommunications America, LLC is listed as a real party-in-interest in the Petition, but merged with and into Samsung Electronics America, Inc., after the filing of the Petition. Paper 6, 1.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011)

³ U.S. Patent No. 5,530,235 (Ex. 1013) (“Stefik ’235”)

⁴ U.S. Patent No. 5,629,980 (Ex. 1014) (“Stefik ’980”)

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Gruse.⁵ Pet. 3. Petitioner also provides a declaration from Jeffrey A. Bloom, Ph.D (“the Bloom Declaration”). Ex. 1003.

C. Related Matters

The parties indicate that the ’598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 1; Paper 4, 2-3. Patent Owner also indicates that the ’598 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 4, 3. Related patents claiming priority back to a common series of applications currently are the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, filed by Apple Inc. *See* Paper 4, 2–3.

Petitioner filed a concurrent petition for covered business method patent review of the ’598 patent: CBM2014-00198 (“the 198 Petition”).⁶ In addition, Petitioner filed eight other Petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00190; CBM2014-00192; CBM2014-00194; CBM2014-00196; CBM2014-00197; CBM2014-00199; CBM2014-00200; and CBM2014-00204.

⁵ PCT Publication No. WO 00/08909 (Ex. 1006) (“Gruse”)

⁶ Patent Owner argues that the multiple petitions filed against the ’598 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 9–12. The page limit for a petition requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of this Petition and the 198 Petition meets that requirement.

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D. The '598 Patent

The '598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The '598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. The '598 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Challenged Claim

Petitioner challenges claim 7 of the '598 patent. Claim 7 depends from claim 1. Claims 1 and 7 recite the following:

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1. A portable data carrier comprising:
an interface for reading and writing data from and to the portable data carrier;
content data memory, coupled to the interface, for storing one or more content data items on the carrier;
use rule memory to store one or more use rules for said one or more content data items;
a program store storing code implementable by a processor;
and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,
wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1001, 25:54–67.

7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.

Id. at 26:25–28.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, No. 2014-1301, 2015 WL 448667, at *7 (Fed. Cir. Feb. 4, 2015) (“We conclude that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.”). Applying that standard, we interpret the claim terms of the ’598 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*,

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504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this decision, we construe the claim term “use rule.”

The term “use rule” is recited in independent claim 1. Neither party proposes a construction of “use rule.” The ’598 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1001, Abstract) and as “indicating permissible use of data stored on the carrier” (*id.* at 9:14-16). The ’598 patent also describes “evaluating the use status data using the use rules to determine whether access to the stored data is permitted.” *Id.* at 6:38-40; *see also id.* at 21:48-53 (“[E]ach content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.”). Accordingly, for purposes of this decision, we construe “use rule” as “a rule specifying a condition under which access to content is permitted.”

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

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1. Financial Product or Service

Petitioner asserts that “the purported data carrier and payment validation system of claim 7 unquestionably are used for data processing in the practice, administration and management of financial products and services; specifically, for processing payments for data downloads.” Pet. 8. Based on this record, we agree with Petitioner that the subject matter recited by claim 7 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the ’598 patent, which confirms claim 7’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:59–67; 6:60–64; 20:50–54.

Patent Owner disagrees that Claim 7 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that the section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 3–7. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as

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limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735-36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 7 is not directed to an apparatus or method that is financial in nature because claim 7 “omits the specifics of how payment is made.” Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. Prelim. Resp. 7. We determine that because payment is required by claim 7, as Patent Owner acknowledges, the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’598 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

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2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 7 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 10–12. In particular, Petitioner argues that claim 7 does not recite a technological feature that is novel and unobvious, or solve a technical problem using a technical solution. *Id.* Patent Owner disagrees and argues that claim 7, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 8–9.

We are persuaded that claim 7 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 1, on which claim 7 depends, recites only limitations such as "interface," "content data memory," "use rule memory," "program store," "processor," "code for storing," and "code to provide" data, which are not novel and unobvious. Claim 7 also recites a "payment validation system." The Specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, "[t]he payment validation system may be part of the data supplier's computer systems or it may be a separate e-payment system." Ex. 1001, 8:63–65; *see id.* at 13:35–47.

In addition, the '598 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the '598 patent states that "there is an urgent need to find a way to address the problem of data piracy" (*id.* at 1:52–55), while acknowledging that the "physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety

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of forms” (*id.* at 12:29–32). Thus, we determine that claim 7 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 7 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed toward solving the technological problem of “storing at least one content data item in the content data memory and at least one use rule in the use rule memory” with the technological solution of “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.” Prelim. Resp. 8. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 7 is a business problem—data piracy. Pet. 11–12. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Thus, based on the particular facts of this proceeding, we conclude that claim 7 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’598 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

C. 35 U.S.C. § 101

Petitioner challenges claim 7 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–32. Petitioner asserts that the

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challenged claim is directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Petitioner argues that the challenged claim is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23.

Patent Owner argues that the challenged claim is directed to a more narrow invention than that asserted by Petitioner. Prelim. Resp. 12–13. Patent Owner specifically cites to the limitations “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory” and “code to provide the payment data to a payment validation system” as evidence that claim 7 “is not preemptory as asserted and is, at least for that reason, directed to statutory subject matter.” *Id.* Based on the analysis of the challenged claims using the two-step process set forth in *Alice Corp. Pty, Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), as discussed below, we agree with Samsung that claim 7 of the ’598 patent is more likely than not directed to patent-ineligible subject matter.

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “portable data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

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We are persuaded that the challenged claim is more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claim “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

Petitioner contends that the challenged claim is directed to “the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 23. As discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. Ex. 1001, 1:59–2:4. The ’598 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of

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payment. *Id.* at 1:59–2:15. We are persuaded, on this record, that the claimed “portable data carrier,” is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that claim 7 of the ’598 patent adds an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). The specification treats as well-known all potentially technical additions to the claim, including “interface,” “content data memory,” “use rule memory,” “program store,” “processor,” “code for storing,” and “code to provide” data. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated

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that it is more likely than not that the challenged claim is unpatentable under 35 U.S.C. § 101.

D. Obviousness over Gruse, Stefik '235 and Stefik '980

Petitioner argues that claim 7 is unpatentable under 35 U.S.C. § 103(a) as obvious over Gruse and Stefik. Pet. 32–57.

The '598 patent claims priority to international PCT Application No. GB00104110 (“the '110 Appln”), filed on October 25, 2000, which claims priority to UK Application No. 9925227.2 (“the GB application”), filed on October 25, 1999. Ex. 1001, 1:6–16. Gruse was published February 24, 2000. Ex. 1006, 1.

Petitioner’s § 103 challenge is based on a combination that includes Gruse. Pet. 32–57. According to Petitioner, Gruse is prior art to the Challenged Claims under 35 U.S.C. § 102(a)⁷ because the date of its publication—February 24, 2000—is before the earliest filing date to which the Challenged Claims are entitled—October 25, 2000 (the filing date of '110 Appln.). Pet. 4, 20. Petitioner’s position is that the Challenged Claims lack written description support in the GB application. *Id.* at 15–20. *See Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008); *Ariad Pharms. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc).

Petitioner contends the GB application does not provide written description support for independent claim 1 and dependent claim 7. Pet. 19–20. Without the benefit of the GB application, Gruse is prior art to the

⁷ The '598 patent was filed prior to the effective date of the AIA § 102 (March 16, 2013) and is governed by pre-AIA § 102(a). AIA § 3(n)(1).

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challenged claims. Generally, Petitioner contends “the [GB application]’s⁸ scant disclosure fails to support many limitations recited in the Challenged Claims.” *Id.* at 19. Specifically, Petitioner argues that the GB application does not support a limitation recited in claim 1, or a limitation recited in claim 7. *Id.* at 19–20.

The priority dispute between the parties focuses on whether the GB application sufficiently supports the following limitations: (1) “portable data carrier comprising . . . ; content data memory . . . for storing one or more content data items on the carrier; use rule memory to store one or more use rules for said one or more content items...” (claim 1); and (2) “payment data memory to store payment data and code to provide the payment data to a payment validation system” (claim 7). *Id.* at 19–20. Patent Owner argues that claims 1 and 7 are supported by the GB application because the features alleged to be missing are disclosed in the GB application. Prelim. Resp. 17–18.

With respect to the “content data memory” and “use rule memory” recited in claim 1, Patent Owner argues the limitations are supported by the following disclosure in the GB application:

In one embodiment the data storage means is powered by the retrieval device when it is connected to the device and retains a memory of the downloaded data when it is unpowered.

...

The data storage means and/or the retrieval device can be provided with access control means to prevent unauthorised access to the downloaded data. Alternatively, this access control means can be used to stop or provide only limited access of the user to the downloaded data in accordance with

⁸ Referred to herein as “the GB application.”

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the amount paid. Thus, for example, a complete set of data information relating to a particular topic, a particular music track, or a particular software package might be downloaded, although access to part of the data set might thereafter be controlled by payments made by a user at a later stage. Thus, a user could pay to enable an extra level on a game or to enable further tracks of an album.

Prelim. Resp. 17–18 (quoting Ex. 1008, 3–4). We are persuaded that this disclosure provides adequate support for the disputed limitations.

Petitioner acknowledges that the GB application discloses that “access control information may be stored with the downloaded data or in separate storage area, for example in the payment validation means” (Ex. 1008, 4), but argues that the disclosed payment validation means is “away from the data carrier” and, therefore, “this description does not support storage of content data and use rules on the same data carrier.” Pet. 19–20. We disagree.

Claim 1 of the GB application, for example, indicates that the “payment validation means” is part of the “data storage means” that stores “downloaded data.” Ex. 1008, 9. The GB application also discloses that “[t]he combination of the payment validation means with the data storage means allows the access to the downloaded data which is to be stored by the data storage means, to be made conditional upon checked and validated payment being made for the data.” *Id.* at 8. In addition, the GB application discloses card 30—i.e., the “portable data carrier” recited in claim 1—that has one set of contacts for interfacing with a payment validation means and another set of contacts for interfacing with downloaded data. *Id.* at 12 (“On the card (30) are two sets of contacts, contacts (32) for interfacing with the payment validation means and contacts (34) for interfacing with the memory

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for storing downloaded data.”). Based on the disclosure described above, we are persuaded that the GB application “reasonably conveys to those skilled in the art that the inventor had possession” of claim 1’s “portable data carrier comprising . . . ; content data memory ... for storing one or more content data items on the carrier; use rule memory to store one or more use rules for said one or more content items....” *Ariad Pharms.*, 598 F.3d at 1351.

With respect to “payment data memory to store payment data and code to provide the payment data to a payment validation system,” recited in claim 7, Petitioner has not sufficiently persuaded us that the GB application likewise does not provide adequate written description support. Specifically, the GB application disclose a card with a payment validation means accessible by means an interface separate from the interface for downloaded data. Ex. 1008, 12. The payment validation means stores payment data, such as electronic cash, and provides that payment data to a payment validation system. *Id.* at 8, 10. For example, the GB application discloses that

The payment validation means is, for example, means to validate payment with an external authority such as a bank or building society. The combination of the payment validation means with the data storage means allows the access to the downloaded data which is to be stored by the data storage means, to be made conditional upon checked and validated payment being made for the data

...

In one embodiment of the invention however, the payment validation means comprises e-cash - that is the payment validation means stores transaction value information on a cash value of transactions validatable by the data storage means. In simple terms, the data storage means can be a card which is

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charged up to a desired cash value (if necessary limited to a maximum value) at a suitable terminal. This might be an internet access terminal but could, more simply, be a device to accept the data storage card and to receive and count money deposited by the user to charge the card, writing update cash value information onto the card.

Ex. 1008, 8.

The terminal can directly validate payment - for example in the case of a smart card charged with electronic cash it can deduct a cash value from the card.

Id. at 10. Based on the disclosure described above, we are persuaded that the GB application “reasonably conveys to those skilled in the art that the inventor had possession” of claim 7’s “payment data memory to store payment data and code to provide the payment data to a payment validation system.” *Ariad Pharms.*, 598 F.3d at 1351.

Therefore, we are not persuaded that Petitioner has shown sufficiently that challenged claim 7 is not entitled to the benefit of the GB application’s filing date. Because we are not persuaded that claim 7 is not entitled to a priority date of October 25, 1999, we are not persuaded that Gruse is prior art under 35 U.S.C. § 102(a).

Accordingly, on this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 7 is unpatentable as obvious over Gruse, Stefik ’235, and Stefik ’980.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claim 7 of the ’598 patent under 35 U.S.C. § 101, as discussed above.

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The Board has not made a final determination on the patentability of the challenged claim.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the sole ground that claim 7 is directed to patent-ineligible subject matter under 35 U.S.C. § 101;

FURTHER ORDERED that the trial is limited to the ground identified above. No other grounds are authorized; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

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Paper 13
Entered: August 6, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00120
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

DECISION
Instituting Covered Business Method Patent Review
and Granting Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

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I. INTRODUCTION

Petitioner, Apple Inc. (“Apple”), filed a Petition requesting covered business method patent review of claim 7 (the “challenged claim”) of U.S. Patent No. 8,033,598 (Ex. 1001, “the ’598 patent”). Paper 2 (“Pet.”). On June 1, 2015, Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 9 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Concurrently with its Petition, Apple filed a Motion for Joinder (Paper 3, “Mot.”), seeking to consolidate this case, under 35 U.S.C. § 325(c), with the covered business method patent review in *Samsung Electronics America, Inc. v. Smartflash, LLC*, Case CBM2014-00193 (“the Samsung CBM”), which was instituted on April 2, 2015. *See* CBM2014-00193 (Paper 7, 19) (instituting review of claim 7 of the ’598 patent under 35 U.S.C. § 101). Smartflash does not oppose Apple’s Motion for Joinder. Paper 12, 1.

For the reasons explained below, we institute covered business method patent review of claim 7 of the ’598 patent and grant Apple’s Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND ASSERTED IN THE SAMSUNG CBM

In view of the identity of the challenge in the instant Petition and that instituted in CBM2014-00193, we determine that it is more likely than not

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that Petitioner will prevail on its challenge that claim 7 of the '598 patent is unpatentable. We previously have determined that the '598 patent is a "covered business method patent." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2014-00193, Paper 7, 6–10 (determining that the '598 patent is eligible for covered business method patent review based on claim 7); CBM2014-00108, Paper 8, 7–12 (determining that the '598 patent is eligible for covered business method patent review based on claim 7); CBM2015-00017, Paper 22, 9–13 (determining that the '598 patent is eligible for covered business method patent review based on claim 7).

Smartflash argues that "Petitioner has cited claim 7 as being the basis for requesting that a covered business method review be instituted," but "claim 7 does not, in fact, meet the requirements for instituting a review." Prelim. Resp. 8. As noted above, however, the '598 patent already has been determined to be a covered business method patent based on claim 7, and Smartflash fails to identify error in that determination.

Here, Apple challenges the same claim (claim 7) based upon the same ground, 35 U.S.C. § 101, for which covered business method patent review was instituted in the Samsung CBM. Pet. 14–27; Mot. 8–9. We have reviewed the Preliminary Response and are not persuaded that we should deny institution in this proceeding. In its Preliminary Response, Smartflash does not attempt to rebut Apple's contentions regarding the unpatentability of claim 7 under 35 U.S.C. § 101. Rather, Smartflash argues that the Petition should be denied because it "disregards the Board's exercise of discretion in CBM2015-00017" (Prelim. Resp. 4) and "would be contrary to the PTAB's mandate" of securing the just, speedy, and inexpensive

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resolution of every proceeding (*id.* at 5). These arguments are not persuasive.

As Apple notes (Mot. 7–8), we declined to institute CBM review of claim 7 in CBM2015-00017 because we had already instituted review of that claim on § 101 grounds in the Samsung CBM (CBM2015-00017, Paper 22, 16). In its Motion for Joinder, Apple requests that it

be permitted to join these proceedings to ensure that, even if Samsung should seek to terminate its involvement in CBM2014-00193 (*e.g.*, as a result of settlement), Apple would be able to see the § 101 challenge to claim 7 through to a final written decision, since it was not permitted to do so in CBM2015-00017.

Mot. 8. Apple notes that in this proceeding, the “petition does not assert any new grounds of unpatentability. It involves the same ’598 patent and—as discussed above—the same arguments, evidence and grounds of unpatentability as the Board instituted in CBM2014-00193.” *Id.* Apple further notes that it has “re-filed the same expert declaration submitted by Samsung, and so this declaration contains no material that is not already in the previously-filed declaration” and “a second deposition of a second expert is not necessary.” *Id.* at 9.

Based on the specific facts of this case, we institute a covered business method patent review in this proceeding on the same ground, namely under 35 U.S.C. § 101, as that on which we instituted in the Samsung CBM for claim 7 of the ’598 patent. We do not institute a covered business method patent review on any other ground.

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III. GRANT OF MOTION FOR JOINDER

As noted above, Smartflash does not oppose Apple's request to consolidate this Petition with the Samsung CBM. Paper 12, 1.

As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is the challenge to claim 7 of the '598 patent based on 35 U.S.C. § 101. Apple, thus, does not assert any new ground of unpatentability that is not already being considered in the Samsung CBM. Mot. 8. Further, as noted above, Apple represents that the Petition includes the same arguments and relies on the same evidence and grounds of unpatentability that were the basis for the Board's decision to institute trial in the Samsung CBM. *Id.* at 8–9.

Under the circumstances, we conclude Apple has demonstrated that consolidation of the two cases will not unduly complicate or delay the Samsung CBM, and therefore, we grant Apple's Motion for Joinder to consolidate this proceeding with the Samsung CBM. All filings in the consolidated proceeding will be made by Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. ("Samsung") on behalf of Samsung and Apple. Apple shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Apple shall not seek any additional discovery beyond that sought by Samsung.

Samsung and Apple shall resolve any disputes between them concerning the conduct of the consolidated proceedings and shall contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation.

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In consideration of the above, we institute a covered business method patent review in CBM2015-00120 and grant Apple's Motion for Joinder.

IV. ORDER

Accordingly, it is

ORDERED that the challenge to claim 7 as unpatentable under 35 U.S.C. § 101 is instituted;

FURTHER ORDERED that this proceeding is consolidated with CBM2014-00193;

FURTHER ORDERED that the ground on which CBM2014-00193 was instituted is unchanged, and no other grounds are instituted in the consolidated proceeding;

FURTHER ORDERED that the Scheduling Order in place for CBM2014-00193 shall govern the consolidated proceeding;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Samsung as a single, consolidated filing on behalf of Samsung and Apple, and Samsung will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Samsung will conduct cross-examination and other discovery on behalf of Samsung and Apple, and that Smartflash is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00120 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2014-00193;

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FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2014-00193 and CBM2015-00120; and

FURTHER ORDERED that the case caption in CBM2014-00193 shall be changed to reflect consolidation with this proceeding in accordance with the attached example.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS LTD, SAMSUNG ELECTRONICS
AMERICA, INC., and APPLE INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2014-00193¹
Patent 8,061,598 B2

¹ CBM2015-00120 has been consolidated with this proceeding.

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Paper 53
Entered: June 10, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194¹
Patent 8,118,221 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

BISK, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00117 (Patent 8,118,221 B2) has been consolidated with this proceeding.

CBM2014-00194
Patent 8,118,221 B2

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings. Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6–7 (PTAB Aug. 8, 2015) (Paper 11).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Samsung and Apple

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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(collectively, “Petitioner”) filed a Reply (Paper 31, “Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 32 (“the challenged claim”) of the ’221 patent is unpatentable.⁴ Paper 51 (“Final Dec.”), 30.

Patent Owner requests rehearing of the Final Decision. Paper 52 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner’s Request is based on a disagreement with our determination that claim 32 is directed to patent-ineligible subject matter. Req. Reh’g 2. In its Request, Patent Owner presents arguments directed to

⁴ Claims 2 and 11 were canceled in a Final Written Decision of another proceeding—CBM2014-00102. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). Because the Federal Circuit dismissed Patent Owner’s appeal of that decision, leaving claims 2 and 11 cancelled, we did not address those claims in the Final Written Decision of this proceeding. Final Dec. 3–4.

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alleged similarities between the challenged claim and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and alleged differences between the challenged claim and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner’s arguments regarding *DDR Holdings*, Patent Owner simply notes that “the issue of whether the claim was similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 12–13.” Request 7 n.2. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “the issue of whether Claim 32 is an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11–28; *see also* Tr. 46:21–47:11” (*id.* at 11 n.4) and “the issue of whether the Claim 32 contains ‘additional features’ was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 8–9; 25–36” (*id.* at 12 n.6). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

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Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an "issue" (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* PO Resp. *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner's argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh'g 7 (citing Final Dec. 15) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 15), holding that Claim 7 was not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'"). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5–7, 12–15) were addressed at pages 10–13 and 18–20 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6–7) were addressed at pages 20–22 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 7–10) were addressed at pages

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14–18 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

PETITIONER:

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Paper 51
Entered: March 29, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194¹
Patent 8,118,221 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

BISK, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00117 (Patent 8,118,221 B2) was consolidated with this proceeding.

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INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 20.

On April 30, 2015, Apple Inc. filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings.³ Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6–7 (PTAB Aug. 8, 2015) (Paper 11).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ For purposes of this decision, we will cite only to Samsung’s Petition.

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Petitioner has shown by a preponderance of the evidence that claim 32 of the '221 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00102, we issued a Final Written Decision determining claims 1, 2, and 11–14 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). On March 18, 2016, however, Patent Owner filed an authorized motion to terminate this proceeding as to claims 2 and 11 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00102 determining] that claims 2 and 11 of the '221 Patent are unpatentable.” Paper 50, 2.⁴

We are persuaded that the particular facts of this proceeding now counsel termination of our consideration of claims 2 and 11. 37 C.F.R. § 42.72. Claims 2 and 11 of the '221 patent have been finally cancelled and any decision we might reach in this proceeding regarding the patentability of these claims would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R. § 42.1(b)) would be secured by rendering a final written decision regarding these claims. Accordingly, we terminate this review as to claims 2 and 11 and consider below only the remaining challenged claim—claim 32.

⁴ Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

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C. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–4. The '221 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:41–44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claim

Petitioner challenges claim 32 of the '221 patent. Claim 32 is independent and recites the following:

32. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

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a first interface for communicating with the data supplier;
a data carrier interface for interfacing with the data carrier;

a program store storing code; and

a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system; and

code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier.

Id. at 28:23–50.

ANALYSIS

A. *Claim Construction*

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms

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of the '221 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21–34. According to Petitioner, claim 32 is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. in support of its Petition.⁵ Ex. 1003. Patent Owner argues that the subject matter claimed by claim 32 is statutory because it is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy.” Paper 24, (“PO Resp.”) 13.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each claim 32 recites a “machine,” e.g., a “data access terminal,” under § 101. Section 101, however, “contains an important

⁵ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3–4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

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implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships

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(i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claim 32 is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23. Although Patent Owner does not concede, in its brief, that claim 32 is directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 11–28; *see also* Paper 47 (transcript of oral hearing) 46:21–47:11 (Patent Owner arguing that the subject matter does not claim an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that claim 32 is drawn to a patent-ineligible abstract idea. Specifically, claim 32 is directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 32 recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data

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available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by internet users who may not even realize that it is pirated. *Id.* The '221 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59–2:4. The '221 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15.

Although the specification refers to data piracy on the Internet, claim 32 is not limited to the Internet. Claim 32 recites code to “read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “retrieve data from the data supplier,” and “write the retrieved data into the data carrier.” The underlying concept of claim 32, particularly when viewed in light of the '221 patent specification, is conditioning and controlling access to content based upon payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '221 patent specification and the language of claim 32 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

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2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’221 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Paper 31, (“Reply 11”) (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 32 of the ’221 patent does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of

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claim 32 are generic features of a computer that do not bring claim 32 within § 101 patent eligibility. Pet. 24–29; Reply 11–21.

a. Technical Elements

Petitioner argues that claim 32 is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the '221 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4–5, 16:46–49, 21:33–38). Patent Owner disagrees, arguing that claim 32 is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The '221 patent specification treats as well-known all potentially technical aspects of claim 32, including the “data carrier,” “data supplier,” “payment validation system,” and “mobile communication device.” See Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 4:4–5, 16:46–50, 18:7–11). For example, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” *Id.* (quoting Ex. 1001, 4:4–5, 16:46–50, 18:7–11). In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:28–30; *see also id.* at 14:25–29 (“[I]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a

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plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. The specification further indicates that that the “payment system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:11–16, 8:18–22, 13:36–38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code performs generic computer functions, such as reading, receiving, transmitting, and outputting data. *See* Pet. 24–29; Reply 14–16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claim 32 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 18. Claim 32 does not recite any particular or “distinct memories.” To the extent Patent Owner contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the

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conventional manner is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claim 32 also recites several generic data types including, “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” “access rule,” “use rule data,” “user-stored data identifier data,” and “associated value data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). Patent Owner does not point to any inventive concept in the ’221 patent related to the way the recited data types are constructed or used. In fact, the ’221 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claim 32 does not cover a “particular machine.” Pet. 31–33; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claim 32 does not transform an article into a different state of thing. Pet. 33–34.

Thus, we determine the potentially technical elements of the claim are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

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b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that claim 32 is directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that claim 32 is “directed to particular devices that can download and store digital content into a data carrier” and “[b]y using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system, and by responding to payment validation data when obtaining digital content, the claimed data access terminals enable digital content to be obtained effectively and legitimately.” *Id.* at 12–13. Patent Owner further argues that because claim 32 also “utilizes at least one access rule, also written to the data carrier,” “access control to the digital content can be continuously enforced prior to access to the digital content and allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.” *Id.* at 13.

Petitioner responds that claim 32 is distinguishable from the claims in *DDR Holdings*. Reply 19–21. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the

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customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claim 32 is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that claim 32 is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address[es] . . . a challenge particular to the Internet.” PO Resp. 13. Data piracy exists in contexts other than the Internet. *See* Reply 17 (identifying other contexts in which data

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piracy is a problem). For example, data piracy was a problem with compact discs. *See Ex. 1001 5:9–12* (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by claim 32 is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See Reply 15–16.*

Even accepting Patent Owner’s assertion that claim 32 addresses data piracy on the Internet (PO Resp. 13), we are not persuaded that it does so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between claim 32 and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 32 of the ’221 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 14–17. For example, Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 3 limitations recited by claim 32: (1) “code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier”; (2) “code responsive to the payment validation data to . . . to write the retrieved data into the data carrier”; and (3) “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment

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validation system.” PO Resp. 16–17. Patent Owner, however, fails to identify how these limitations of claim 32, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 14–24; *DDR Holdings*, 773 F.3d at 1258. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of claim 32, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ulramercial*, like claim 32, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in claim 32, the *Ulramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in claim 32 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access,

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and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claim 32 is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Patent Owner argues claim 32 includes an “inventive concept” because of the specific combination of elements in claim 32, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’221 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8–9 (quoting Ex. 1001, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* at 9. Thus, Patent Owner concludes that “[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.” *Id.*

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing

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names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet 39–40 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”)). To the extent Patent Owner argues that claim 32 covers storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times” (PO Resp. 9)), we do not agree that this, by itself, is sufficient to elevate claim 32 to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a

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particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that “the ’221 patent claims preempt all effective uses of the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 29. Patent Owner responds that claim 32 does not result in inappropriate preemption. PO Resp. 25–36. According to Patent Owner, claim 32 does not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 25 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that claim 32 does not raise preemption concerns. *Id.* at 30–35.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has

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made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Reply 21–24 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

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As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claim 32 is drawn to an abstract idea and does not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidation under § 101 in its related district court litigation with Patent Owner (PO Resp. 36–37); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 37–38).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 37.

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3. *Conclusion*

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 32 of the '221 patent is unpatentable under § 101.

MOTIONS TO EXCLUDE

A. *Samsung's Motion to Exclude*

Samsung seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 38, 3. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Samsung's Motion to Exclude is *denied*.

Samsung seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 38, 4–6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Samsung argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Samsung adds that "Samsung, during its direct examination of Dr. Bloom, never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Samsung's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Samsung's expert. Although we were not persuaded by this evidence, we

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did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Samsung seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Samsung argues that in these excerpts, “Smartflash attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (citing PO Resp. 6). According to Samsung, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

We also are not persuaded by this argument. Samsung does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Samsung, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 34, 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R.

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§ 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom's testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 34, 1–9. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom's declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." Paper 34, 2. Patent Owner also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom 'reliably applied the principles and methods to the facts of the case.'" Paper 34, 3–4.

Petitioner counters that consistent with the requirements of 37 C.F.R. § 42.65, "Dr. Bloom's testimony disclosed underlying facts and data on which his opinions were based." Paper 41, 4. Petitioner also argues that experts are not required to recite the "preponderance of the evidence" standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom's Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to

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question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of experience in relevant technologies. *Id.* ¶¶ 5–14. We are, therefore, not persuaded by Patent Owner’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 34, 5–6. Because these paragraphs also support Petitioner’s assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. Paper 34, 6, 7–9. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 62, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent

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eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 34, 7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102–107, 122, 123, 125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 34, 7–9. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 41, 9–11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 44, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

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2. *Exhibits 1004–1006*

Patent Owner seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 34, 9–10.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’” and, thus, are relevant to the question of patent eligibility. Paper 41, 11–12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. *Exhibit 1028*

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 10. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’221 patent. *Id.* at 10–11.

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’221 patent mimics such payment operations” and is, therefore, not irrelevant. Paper 41, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent

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eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

4. Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner's reply brief, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 11. According to Patent Owner, the document has an alleged publication after the effective filing date of the '221 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 41. Petitioner, however, does address the relevance of this document in its reply brief (Paper 31), stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '221 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Paper 31, 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

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ORDER

Accordingly, it is:

ORDERED that claim 32 of the '221 patent is determined to be *unpatentable*;

FURTHER ORDERED that Samsung's motion to exclude is *denied*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied*;

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 9
Entered: March 30, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194
Patent 8,118,221 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, and PETER P. CHEN,
Administrative Patent Judges.

BISK, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

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INTRODUCTION

A. Background

Petitioner, named above, filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 (the “challenged claims”) of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 4 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

B. Asserted Grounds

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C. §§ 101 and/or 103 over the combination of Stefik ’235,² Stefik ’980,³ and Gruse⁴ (Pet. 3).⁵ Petitioner also provides a Declaration from Dr. Jeffrey A. Bloom (“the Bloom Declaration”). Ex. 1003.

¹ Patent Owner argues that the multiple petitions filed against the ’221 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 10–12. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and this Petition is within that requirement.

² U.S. Patent 5,530,235 (Ex. 1004) (“Stefik ’235”).

³ U.S. Patent 5,629,980 (Ex. 1005) (“Stefik ’980”).

⁴ PCT Publication No. WO 00/08909 (Ex. 1006) (“Gruse”).

⁵ Petitioner refers to Stefik ’235 and Stefik ’980 collectively as “Stefik” because, according to Petitioner, Stefik ’235 incorporates Stefik ’980 by reference. Pet. 39. Patent Owner disagrees. Prelim. Resp. 15–18. Based on our determination below, we need not address this issue.

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After considering the Petitions and Preliminary Responses, we determine that the '221 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we institute a covered business method patent review of claims 2, 11, and 32.

C. Related Matters

Petitioner indicates that the '221 patent is the subject of the following co-pending district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-CV-448 (E.D. Tex.). Pet. 1–2. Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00103, CBM2014-00106, CBM2014-00107, CBM2014-00108, CBM2014-00109, CBM2014-00112, and CBM2014-00113, filed by Apple Inc. *See* Paper 5, 2–3.

Petitioner filed one other petition for covered business method patent review challenging claims of the '221 patent: CBM2014-00199.⁶ In addition, Petitioner filed eight other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00190; CBM2014-00192; CBM2014-00193; CBM2014-00196; CBM2014-00197; CBM2014-00198; CBM2014-00200; and CBM2014-00204.

⁶ Patent Owner argues that the multiple petitions filed against the '221 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 10–12. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of the '194 and '199 Petitions meets that requirement.

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D. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–4. The '221 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:41–44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

E. Challenged Claims

Petitioner challenges claims 2, 11, and 32 of the '221 patent. Claim 32 is independent. Claims 2 and 11 depend from claim 1, which is not explicitly challenged in this proceeding. Claims 1, 2, 11, and 32 recite the following:

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1. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code implementable by a processor; and
 - a processor, coupled to the first interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.

Ex. 1001, 25:45–61.

2. A data access terminal as claimed in claim 1, further comprising code to transmit at least a portion of the payment validation data to the data supplier or to a destination received from the data supplier.

Id. at 25:62–65.

11. A data access terminal according to claim 1 integrated with at least one of a mobile communication device, a personal computer, an audio/video player, and a cable or satellite television interface device.

Id. at 26:39–42.

32. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;

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a data carrier interface for interfacing with the data carrier;

a program store storing code; and

a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system; and

code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier.

Id. at 28:23–50.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, 2015 WL 448667 at *7 (Fed. Cir. Feb. 4, 2015) (“We conclude that Congress

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implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.”). Applying that standard, we interpret the claim terms of the ’221 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we construe the claim term “access rule.”

Independent claim 32 requires receiving at least one “access rule” from the data supplier and that the “at least one access rule specif[ies] at least one condition for accessing the retrieved data.” The ’221 patent also states that “one or more content access rules are received from the system owner data supply computer and written to the smart Flash card so that each content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.” Ex. 1001, 21:48–53; *see also id.* at 7:31–32 (stating that access data “links a content identifier with an access rule, typically based upon a required payment value”). Accordingly, for purposes of this Decision, we construe “access rule” as a rule specifying a condition under which access to content is permitted.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “[c]overed business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one

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claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that claim 32 “unquestionably is used for data processing in the practice, administration and management of financial products and services; specifically, for processing payments for data downloads.” Pet. 9. Based on this record, we agree with Petitioner that the subject matter recited by claim 32 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 32 recites “code to read payment data from the data carrier and to forward the payment data to a payment validation system” and “code responsive to the payment validation data . . . dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the specification of the ’221 patent, which confirms claim 32’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23. The specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:59–68, 6:60–64, 20:50–54.

Patent Owner disagrees that claim 32 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the

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financial or banking industry. Prelim. Resp. 3–6. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (quoting 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 32 is not directed to an apparatus or method that is financial in nature because claim 32 “omits the specifics of how payment is made.” Prelim. Resp. 8. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes

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such a requirement. *Id.* We determine that because payment data is recited by claim 32, the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '221 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that the claims of the '221 patent do not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 10–13. In particular, Petitioner argues that the claims do not recite a technological feature that is novel and unobvious, or solve a technical problem using a technical solution. *Id.* Patent Owner disagrees and argues that claim 32, as a whole, recites at least one technological feature that is novel and nonobvious over the prior art. Prelim. Resp. 8–9.

We are persuaded that claim 32 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim 32 does recite a "payment validation system." The specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, "[t]he payment validation system may be part of the data supplier's computer systems or it may be a separate e-payment system." Ex. 1001, 8:63–65; *see id.* at 13:35–47. Claim 32 also recites a "data carrier." This component, however, is a generic hardware device known in the prior art. The specification discloses, for instance, that a data carrier may be a "standard smart card." *Id.* at 11:28–29.

In addition, the '221 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware,

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but in the method of controlling access to data. For example, the '221 patent states that “there is an urgent need to find a way to address the problem of data piracy” (*id.* at 1:52–55), while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Claim 32 is merely the recitation of known technologies to perform a method, which indicates that it is not a claim for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 32 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed toward solving the technological problem of “writing data and at least one access rule from a data supplier into a data carrier” with the technological solution of “a data carrier from which payment data is read and to which retrieved data and at least one access rule from a data supplier [is] written.” Prelim. Resp. 8–9. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 32 is a business problem—data piracy. Pet. 12. For example, the specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Therefore, based on the particular facts of this proceeding, we conclude that claim 32 does not recite a technological invention and is eligible for a covered business method patent review.

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3. *Conclusion*

In view of the foregoing, we conclude that the '221 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review under the transitional covered business method patent program.

C. *Statutory Subject Matter*

Petitioner challenges claims 2, 11, and 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21–34. Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23.

Patent Owner argues that the challenged claims are directed to a more narrow invention than that asserted by Petitioner. Prelim. Resp. 12–13. Patent Owner specifically cites to the limitations “code to read payment data from the data carrier and to forward the payment data to a payment validation system” and “code to receive payment validation data from the payment validation system” as evidence that claims 2 and 11 “are not preemptory as asserted and are, at least for that reason, directed to statutory subject matter.” *Id.* at 13. And Patent Owner points to similar limitations in claim 32 as evidence that it is also directed to statutory subject matter. *Id.* at 13–14. Based on the analysis of the challenged claims using the two-step process set forth in *Alice Corporation Pty, Ltd. v. CLS Bank International*, 134 S.Ct. 2347 (2014), as discussed below, we agree with Petitioner claims 2, 11, and 32 of the '221 patent are more likely than not directed to patent-ineligible subject matter.

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Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” e.g., a “data access terminal,” under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S.Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S.Ct. 1289, 1293 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S.Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S.Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more

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than a patent on the [ineligible concept] itself.” *Id.* (brackets in original) (quoting *Mayo*, 132 S.Ct. at 1294).

Petitioner contends that the challenged claims are directed to “the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 24. For example, claim 32 recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’221 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. Ex. 1001, 1:59–2:4. The ’221 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15. We are persuaded, on this record, that the claimed “data access terminal,” is directed to an abstract idea. *See Alice*, 134 S.Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S.Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’221 patent add an

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inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S.Ct. at 2355; *see also Accenture*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

As discussed above, the specification notes that the data carrier may be a generic, known, hardware device such as a “standard smart card,” and that “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” Ex. 1001, 11:28–29, 8:63–65. Moreover, on this record, Patent Owner has not shown that all other potentially technical additions to the claims—including “processor,” “program store,” and code to receive/retrieve/write data—perform a function that is anything other than “purely conventional.” *See Alice*, 134 S.Ct. at 2359. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules, as claimed here, appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Id.* (quoting *Mayo*, 132 S.Ct. at 1294). None of these limitations, viewed “both individually and as an ordered combination,” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S.Ct. at 2355 (quoting *Mayo*, 132 S.Ct. at 1297, 1298).

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101.

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D. Obviousness Over Stefik '235, Stefik '980, and Gruse

1. The Effective Filing Date of the '221 Patent

Patent Owner argues that Petitioner has not shown that it is more likely than not that dependent claims 2 and 11, and independent claim 32 are obvious over Stefik '235, Stefik '980, and Gruse. Specifically, Patent Owner argues that Petitioner has not shown sufficiently that Gruse qualifies as § 102(a) prior art. Prelim. Resp. 18–21.

Petitioner proffers Gruse as § 102(a) art. Pet. 4. There is no dispute that Gruse's publication date of February 24, 2000, is before the filing date of PCT Application No. PCT/GB00/04110 ("the '110 application")—October 25, 2000—to which the '221 patent claims priority. *See* Pet. 16; Prelim. Resp. 18–21. Patent Owner, however, asserts that the '221 patent is entitled to the filing date of United Kingdom Patent Application GB9925227.2 ("the GB application")—October 25, 1999. Prelim. Resp. 18–21. Petitioner disagrees. Pet. 16–20. Because Gruse was published on February 24, 2000, it is prior art under § 102(a) only if Petitioner is correct and the '221 patent is not entitled to the filing date of the GB application.

As Petitioner points out, the GB application is significantly shorter than the '110 application. Pet. 16. The relevant issue, however, is whether the GB application contains written description that supports all the limitations of dependent claims 2 and 11, which depend from claim 1, and independent claim 32. *See Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008).

For the reasons described below, we need not address the question of whether or not claim 32 is entitled to the filing date of the GB application. We determine, however, that Petitioner has not shown that claims 2 and 11

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are not entitled to the filing date of the GB application. Thus, Gruse is not prior art to claims 2 and 11.

The GB application discloses a “payment validation means” that allows “access to the downloaded data which is to be stored by the data storage means, to be made conditional upon checked and validated payment being made for the data.” Ex. 1008, 8.⁷ In addition, “[t]he data storage means and/or the retrieval device can be provided with access control means to prevent unauthorized access to the downloaded data” or “to stop or provide only limited access of the user to the downloaded data in accordance with the amount paid.” *Id.* at 9–10. This access control means can be “responsive to the payment validation means” and “stored with the downloaded data or in a separate storage area.” *Id.* at 10. Finally, “[t]he user’s access to the downloaded data could advantageously be responsive to the payment validation means.” *Id.*

For dependent claims 2 and 11, the parties specifically dispute only whether the GB application sufficiently supports “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier” recited by independent claim 1 and, thus, included in both claims 2 and 11 (“claim 1’s responsive limitation”). Pet. 20; *see* Prelim. Resp. 19–21.

Based on the disclosure described above, we are persuaded that the GB application “reasonably conveys to those skilled in the art that the inventor had possession” of claim 1’s responsive limitation. *Ariad Pharms. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). Petitioner has not persuaded us otherwise. Petitioner, in particular, argues

⁷ We refer to the page number at the bottom of each page in Exhibit 1008.

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that the GB application does not “suggest downloading and hence receiving any access rule from the data supplier responsive to payment validation data, let alone writing the received access rule into any data carrier responsive to payment validation.” Pet. 19–20 (citing Ex. 1003 ¶ 112). This argument does not apply to claim 1’s responsive limitation because that limitation does not recite an access rule. Petitioner, however, addresses whether this limitation is disclosed in the GB application only by stating that “[s]imilarly,” claim 1’s responsive limitation “is likewise unsupported.” *Id.* Thus, we are not persuaded that Petitioner has shown sufficiently that claims 2 and 11 of the ’221 patent are not entitled to the benefit of the GB application’s filing date. Consequently, we are not persuaded that Petitioner has shown sufficiently that Gruse is properly § 102(a) prior art to claims 2 and 11. Petitioner’s challenge to claims 2 and 11 therefore fails.

2. Analysis

Gruse discloses “[a] system for tracking usage of digital content on user devices,” including [c]ontent players, which receive from the network the licensed content data.” Ex. 1006 Abs. The system also includes a “logging site that is coupled to the network,” which tracks the “play information from the network.” *Id.* “[A] license to play digital content data is sold to a user, and the licensed content data is transmitted to a content player for the user.” *Id.*

Petitioner relies on Gruse to disclose every limitation of the challenged claims except “an interface for facilitating secure communications between the PC and the external portable device.” Pet. 40–42. Petitioner relies on Stefik ’235 and Stefik ’980 for the disclosure of this element. *Id.* at 42.

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a. Claim 32

Independent claim 32 requires “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). Petitioner asserts that the combination of Gruse, Stefik ’235, and Stefik ’980 renders this limitation obvious. Pet. 62. Specifically, Petitioner alleges that Gruse’s “Store Usage Conditions” correspond to the claimed “access rule.” *Id.* According to Petitioner, “[t]he access rule depends on the amount of payment (e.g., fees the user has paid for the content) associated with the payment data (e.g., credit card information) forwarded to the payment validation system (e.g., Clearinghouse 105).” *Id.* at 62–63. Further, Petitioner asserts that Gruse discloses “Stor[e] Usage Conditions 519 has been purchased by the End-User(s) and is thus dependent upon the amount of payment the particular end-user made towards the purchase,” for example, an “end-user can make the purchase by providing credit card information, which is forwarded to a Clearinghouse(s) 105.” *Id.* at 66 (citing Ex. 1006, 91:15–27).

Petitioner, however, does not explain persuasively how Gruse teaches “at least one access rule specifying at least *one condition for accessing the retrieved data . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). In other words, Petitioner has not sufficiently explained how the condition for accessing the data written into the data carrier is dependent upon the amount of payment associated with the payment data forwarded to the payment validation

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system. Nor does Petitioner explain that a person of ordinary skill would find such dependency obvious.

On this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 32 is unpatentable as obvious over Gruse, Stefik '235, and Stefik '980.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the sole ground that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101;

FURTHER ORDERED that the trial is limited to the ground identified above. No other grounds are authorized; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

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Paper 11
Entered: August 6, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00117
Patent 8,118,221 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

BISK, *Administrative Patent Judge.*

DECISION
Instituting Covered Business Method Patent Review
and Granting Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

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I. INTRODUCTION

Petitioner, Apple Inc. (“Apple”), filed a Petition requesting covered business method patent review of claims 2, 11, and 32 (the “challenged claims”) of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”). Paper 2 (“Pet.”). On June 1, 2015, Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Concurrently with its Petition, Apple filed a Motion for Joinder (Paper 3, “Mot.”), seeking to consolidate this case, under 35 U.S.C. § 325(c), with the covered business method patent review in *Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. v. Smartflash, LLC*, Case CBM2014-00194 (“the Samsung CBM”), which was instituted on March 30, 2015. *See* CBM2014-00194 (Paper 9, 20) (instituting review of claims 2, 11, and 32 of the ’221 patent under 35 U.S.C. § 101). Smartflash does not oppose Apple’s Motion for Joinder. Paper 12, 1.

For the reasons explained below, we institute covered business method patent review of claims 2, 11, and 32 of the ’221 patent and grant Apple’s Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND ASSERTED IN THE SAMSUNG CBM

Because the challenge in this Petition is the same as that instituted in CBM2014-00194, we determine that it is more likely than not that claims 2,

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11, and 32 of the '221 patent are unpatentable. We previously have determined that the '221 patent is a “covered business method patent.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). CBM2014-00194, Paper 9, 7–12 (determining that the '221 patent is eligible for covered business method patent review based on claim 32); CBM2014-00102, Paper 8, 8–12 (determining that the '221 patent is eligible for covered business method patent review based on claim 12); CBM2015-00015, Paper 23, 10–15 (determining that the '221 patent is eligible for covered business method patent review based on claim 32).

Smartflash argues that “Petitioner cites claim 32 as an example,” but “claim 32 does not, in fact, meet the requirements for instituting a review.” Prelim. Resp. 8–9. As noted above, however, the '221 patent already has been determined to be a covered business method patent based on claim 32, and Smartflash fails to persuade us of error in that determination.

Here, Apple challenges the same claims (claims 2, 11, and 32) based upon the same ground, 35 U.S.C. § 101, for which covered business method patent review was instituted in the Samsung CBM. Pet. 14–28; Mot. 8. We have reviewed the Preliminary Response and are not persuaded that we should deny institution in this proceeding. In its Preliminary Response, Smartflash does not attempt to rebut Apple’s contentions regarding the unpatentability of claims 2, 11, and 32 under 35 U.S.C. § 101. Rather, Smartflash argues that the Petition should be denied because it “disregards the Board’s clear ruling in CBM2015-00015” (Prelim. Resp. 4) and “would be contrary to the PTAB’s mandate” of securing the just, speedy, and inexpensive resolution of every proceeding (*id.* at 5–6). These arguments are not persuasive.

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As Apple notes (Mot. 7–8), we declined to institute CBM review of claims 2, 11, and 32 in CBM2015-00015 because we had already instituted review of that claim on § 101 grounds in the Samsung CBM (CBM2015-00015, Paper 23, 18). In its Motion for Joinder, Apple requests that it

be permitted to join these proceedings to ensure that, even if Samsung should seek to terminate its involvement in CBM2014-00194 (*e.g.*, as a result of settlement), Apple would be able to see the § 101 challenge to claims 2, 11, and 32 through to a final written decision, since it was not permitted to do so in CBM2015-00015.

Mot. 8. Apple notes that in this proceeding, the “petition does not assert any new grounds of unpatentability. It involves the same ’221 patent and—as discussed above—the same arguments, evidence and grounds of unpatentability as the Board instituted in CBM2014-00194.” *Id.* Apple further notes that it has “re-filed the same expert declaration submitted by Samsung,” “this declaration contains no material that is not already in the previously-filed declaration,” and “a second deposition of a second expert is not necessary.” *Id.* at 9.

Based on the specific facts of this case, we institute a covered business method patent review in this proceeding on the same ground, namely under 35 U.S.C. § 101, as that on which we instituted in the Samsung CBM for claims 2, 11, and 32 of the ’221 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

As noted above, Smartflash does not oppose Apple’s request to consolidate this Petition with the Samsung CBM. Paper 10, 1.

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As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is the challenge to claims 2, 11, and 32 of the '221 patent based on 35 U.S.C. § 101. Apple, thus, does not assert any new ground of unpatentability that is not already being considered in the Samsung CBM. Mot. 8. Further, as noted above, Apple represents that the Petition includes the same arguments and relies on the same evidence and grounds of unpatentability that were the basis for the Board's decision to institute trial in the Samsung CBM. *Id.* at 7–9.

Under the circumstances, we conclude Apple has demonstrated that consolidation of the two cases will not unduly complicate or delay the Samsung CBM, and therefore, we grant Apple's Motion for Joinder to consolidate this proceeding with the Samsung CBM. All filings in the consolidated proceeding will be made by Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. ("Samsung") on behalf of Samsung and Apple. Apple shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Apple shall not seek any additional discovery beyond that sought by Samsung.

Samsung and Apple shall resolve any disputes between them concerning the conduct of the consolidated proceedings and shall contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation.

In consideration of the above, we institute a covered business method patent review in CBM2015-00117 and grant Apple's Motion for Joinder.

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IV. ORDER

Accordingly, it is

ORDERED that the challenge to claims 2, 11, and 32 as unpatentable under 35 U.S.C. § 101, is instituted;

FURTHER ORDERED that this proceeding is consolidated with CBM2014-00194;

FURTHER ORDERED that the ground on which CBM2014-00194 was instituted is unchanged, and no other grounds are instituted in the consolidated proceeding;

FURTHER ORDERED that the Scheduling Order in place for CBM2014-00194 shall govern the consolidated proceeding;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Samsung as a single, consolidated filing on behalf of Samsung and Apple, and Samsung will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Samsung will conduct cross-examination and other discovery on behalf of Samsung and Apple, and that Smartflash is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00117 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2014-00194;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2014-00194 and CBM2015-00117; and

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FURTHER ORDERED that the case caption in CBM2014-00194 shall be changed to reflect consolidation with this proceeding in accordance with the attached example.

CBM2015-00117
Patent 8,118,221 B2

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS LTD, SAMSUNG ELECTRONICS
AMERICA, INC., and APPLE INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2014-00194¹
Patent 8,118,221 B2

¹ CBM2015-00117 has been consolidated with this proceeding.

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Paper 58
Entered: June 9, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00016¹
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Apple Inc. has been dismissed as Petitioner from this proceeding with respect to claim 1. Paper 50.

CBM2015-00016
Patent 8,033,458 B2

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 6, 8, 10, and 11 of U.S. Patent No. 8,033,458 B2 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 9 (“Pet.”). On April 10, 2015, we instituted a transitional covered business method patent review (Paper 23, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 6, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2.³ Inst. Dec. 26. Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 33, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we terminated with respect to claim 1, which had already been finally cancelled, and we determined that Petitioner had established, by a preponderance of the evidence, that claims 6, 8, 10, and 11 of the ’458 patent are unpatentable. Paper 56 (“Final Dec.”), 3, 29. Patent Owner requests rehearing of the Final Decision. Paper 57 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

³ Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

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STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claims 6, 8, and 10 ("the challenged claims") are directed to patent-ineligible subject matter. Req. Reh'g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5–9) and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party "specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner's previous arguments are general citations,

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without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner's arguments regarding *DDR Holdings*, Patent Owner simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 11–12, 18–19; Ex. 2049, 19." Request 6 n.3. Similarly, in Patent Owner's arguments regarding *Alice*, Patent Owner simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are abstract ideas was previously addressed. *See* PO Resp. 10-27; *see also* Tr. 46:21-47:11" (*id.* at 11 n.5) and "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain 'additional features' beyond an abstract idea was previously addressed. *See* PO Resp. 11-12, 18-19; Ex. 2049, 19" (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an "issue" (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner's arguments are either new or were addressed in our Final Decision. For example, Patent Owner's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not

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argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* Paper 33 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 6 (citing Fin. Dec. 16) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 16), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Patent Owner’s arguments about inventive concept (Req. Reh’g 5–6, 12–15) were addressed at pages 9–14 of our Final Decision, Patent Owner’s arguments about preemption (Req. Reh’g. 6) were addressed at pages 17–20 of our final Decision, and Patent Owner’s arguments about *DDR Holdings* (Req. Reh’g. 6–10) were addressed at pages 14–17 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

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Paper 56
Entered: March 29, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00016¹
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ Apple Inc. has been dismissed as Petitioner from this proceeding with respect to claim 1. Paper 50.

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Patent 8,033,458 B2

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 6, 8, 10, and 11 of U.S. Patent No. 8,033,458 B2 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 9 (“Pet.”). On April 10, 2015, we instituted a transitional covered business method patent review (Paper 23, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 6, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2.³ Inst. Dec. 26.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 33, “PO Resp.”) and Petitioner filed a Reply (Paper 35, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 53 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 6, 8, and 10 of the ’458 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 11 is unpatentable under 35 U.S.C. § 112 ¶ 2. We terminate this proceeding with respect to claim 1.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

³ Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

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B. Related Matters and Termination

In a previous covered business method patent review, CBM2014-00106, we issued a Final Written Decision determining claim 1 unpatentable under 35 U.S.C. § 103. CBM2014-00106, Paper 52. Because Apple was the petitioner in that proceeding, we found that § 325(e)(1) estops Apple from filing or maintaining a proceeding before the Office with respect to claim 1, i.e., the same claim, in this case. Paper 50 (“Estoppel Order”), 4. We, therefore, ordered Apple not to present argument with respect to the patentability of that claim at the oral hearing on November 9, 2015. *Id.* at 8.

On March 15, 2016, Patent Owner filed an authorized motion to terminate this proceeding with respect to claim 1 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00106 determining] that claim 1 of the ’458 Patent is unpatentable.” Paper 55, 3.⁴

We are persuaded that the particular facts of this proceeding now counsel in favor of termination with respect to claim 1. 37 C.F.R. § 42.72. Claim 1 of the ’458 patent has been finally cancelled and any decision we might reach in this proceeding regarding the patentability of this claim would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R. § 42.1(b)) would be secured by rendering a final written decision with respect to claim 1.

⁴ Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

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C. The '458 Patent

The '458 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1201, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The '458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5.

The '458 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

Petitioner challenges claims 6, 8, 10, and 11. Claim 6 is independent, with claims 8, 10, and 11 depending from claim 6, and claim 6 is reproduced below:

6. A data access device for retrieving stored data from a data carrier, the device comprising:

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- a user interface;
- a data carrier interface;
- a program store storing code implementable by a processor; and
- a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
 - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
 - code to access the stored data when access is permitted.

Id. at 27:8–23.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '458 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

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B. Statutory Subject Matter

Petitioner challenges claims 6, 8, and 10 (“the challenged claims”) as directed to patent-ineligible subject matter under 35 U.S.C. § 101.⁵ Pet. 24–36. Petitioner submitted a declaration from Anthony J. Wechselberger (“Wechselberger declaration”)⁶ in support of its petition. Ex. 1220.

Patent Owner contends that the challenged claims are patent-eligible. PO Resp. 10–27.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v.*

⁵ We do not address claim 1 because, as noted above, this Decision terminates the proceeding with respect to that claim.

⁶ In its Response, Patent Owner argues that the Wechselberger declaration should be given little or no weight. PO Resp. 4–5. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

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Prometheus Laboratories, Inc., 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE Inc. v. Google, Inc.*, 765 F.3d 1350, 1353-54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

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Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 24.

Specifically, Petitioner contends that “claims 6, 8, [and] 10 [] are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 26.

Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 10–27; *see also* Tr. 46:21–47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of controlling access to content. For example, claim 6 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted.”

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7–25. As Petitioner notes (Pet. 26), the ’458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See* Ex. 1201 at 2:20–23 (“This invention is . . . particularly . . . relate[d] to a portable data carrier for storing and paying for data and to computer systems for providing access to data.”). Although the specification discusses data

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piracy on the Internet (*see id.* at 1:29–39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the '458 patent specification, is controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '458 patent specification and the language of the challenged claims, that claims 6, 8, and 10 are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’

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capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract idea.” Pet. Reply 7. Petitioner persuades us that claims 6, 8, and 10 of the ’458 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 27–34.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 28 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18–19 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic

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computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Further, the claimed computer code simply performs generic computer functions, such as accessing, retrieving, and evaluating data. *See* Pet. 29–30. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 6, 8, and 10 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 18. The challenged claims do not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an unconventional manner. Moreover, the claims recite several generic data types, such as “code,” “use status data,” and “use rules data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claims into a patent-eligible

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application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original). In addition, the ’458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 36; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 36.

Thus, we determine the potentially technical elements of the claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

To the extent Patent Owner argues that the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access

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control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

PO Resp. 12. Patent Owner further contends that “the claimed portable data carriers enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

None of the claims currently involved in the § 101 challenge in this proceeding recite “partial use status data.”⁷ Nevertheless, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content. *See, e.g.*, Pet. 7–8 (citing Ex. 1216, Abstract); *see also* Ex. 1216, 10:24–30 (discussing “a time bomb or other disabling device which will disable the

⁷ The “partial use” limitation is found in claim 11.

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product at the end of the rental period.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 8)), we remain unpersuaded that the claims recite an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged claims are “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11–12. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data” and “code to access the stored data when access is permitted,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

Id. at 12.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 8–17. The *DDR Holdings*

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patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

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We agree with Petitioner that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims “are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10–11 (identifying other contexts in which data piracy is a problem). For example, data piracy is a problem with compact discs. *See* Ex. 1201 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”). Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology. *See* Pet. Reply 13–15.

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 6 of the ’458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 16–18. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6. *Id.* Patent Owner, however, fails to identify how this limitation of claim 6 from the ’458 patent is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, these limitations, like all the

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other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258-59).

The challenged claims are like the claims at issue in *Ultramercial*. The *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Preemption

Petitioner argues that “the challenged claims’ broad functional [nature] firmly triggers preemption concerns” (Pet. 30), which “drive *Mayo*’s two-part test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Pet. Reply 17). Patent Owner responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of

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paying for and controlling access to data’ . . . or the ‘idea of paying for and controlling access to content.’” PO Resp. 20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 20 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the claims of the ’458 patent do not raise preemption concerns. *Id.* at 22–23, 25–27.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

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The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17–20 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent's claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that the challenged claims are drawn to an abstract idea that does not add an inventive concept sufficient to ensure that the patent in practice amounts to

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significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in and resolved by this inquiry.

d. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Patent Owner (PO Resp. 27–28); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 30).

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 30.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 6, 8, and 10 of the '458 patent are unpatentable under § 101.

C. Indefiniteness

Petitioner challenges claim 11 as being indefinite under 35 U.S.C. § 112 ¶ 2. Pet. 77–78. Claim 6 recites “use rules data,” and does not recite

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“use rules.” Claim 11, which depends from claim 6, however, recites “said use rules” in its initial instance. Petitioner notes that the Board has previously construed these two terms, in related patents, to have different meanings. Pet. 78 (citing Case No. CBM2014-00108, Paper 8, 7 (construing “use rule” as “a rule specifying a condition under which access to content is permitted”); Case No. CBM2014-00112, Paper 7, 7 (construing “use rule data” as “data for a rule specifying a condition under which access to content is permitted”). Petitioner, thus, contends that a person of ordinary skill would not understand whether claim 11 should properly recite “wherein said use rules data permit.” *Id.*

Patent Owner contends that “[g]iven the recitation of ‘said use rules’ coupled with the reference to claim 6, one of ordinary skill in the art would know that the antecedent basis for ‘said use rules’ in claim 11 would be the ‘use rules data’ of claim 6.”⁸ PO Resp. 29. Upon further consideration of the record, we are not persuaded that one skilled in the art would have understood claim 11’s “said use rules” to refer back to the “use rules data” introduced in claim 6.

Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. It is unclear whether claim 11 should recite “use rules” or “said use rules data,” rather than “said use rules.” As indicated above, we have construed “use rules” and “use rules data” differently. As Petitioner also

⁸ At institution, we did not have the benefit of Patent Owner’s position on the intended meaning of the claim because in its Preliminary Response, Patent Owner did not indicate a clear position on how one skilled in the art would read the recitation of “said use rules” in claim 11. *See* Prelim. Resp. 14–15.

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notes (Pet. Reply 20), Patent Owner offers no evidence to support its contentions regarding how one skilled in the art would understand “said use rules” in claim 11 (*see* PO Resp. 28–30). Patent Owner also fails to even allege that anything in the specification supports its position that one skilled in the art would understand “said use rules” in claim 11 to mean “said use rules data.” Petitioner, on the other hand, provides testimony from Mr. Wechselberger explaining how one skilled in the art would understand the term “said use rules.” *See* Pet. 78 (citing Ex. 1220 ¶¶ 74–75). Mr. Wechselberger testifies, for example, that when reading claim 11, which recites “permit partial use,” one skilled in the art would “question whether the claim was intended to recite a new concept ‘use rules,’ which would be more in keeping with the ‘permit’ language.” Ex. 1220 ¶ 74. As Petitioner notes, Patent Owner fails to address this testimony. Pet. Reply 20.

Upon review of the record before us, we are persuaded that claim 11 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C § 112 ¶ 2. *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) (holding “that if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention by holding the claim unpatentable under 35 U.S.C. § 112, second paragraph, as indefinite”); *see also Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2129 (2014) (holding that § 112 ¶ 2 requires “that a patent’s claims, viewed in light of the specification and prosecution history, inform

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those skilled in the art about the scope of the invention with reasonable certainty.”).

D. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 39, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 43, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 48). Patent Owner’s Motion to Exclude seeks to exclude Exhibits 1202, 1203, 1205–1209, 1211–1220, 1226, and 1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–3; Paper 48, 1–2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner’s characterization of the ’458 patent in the complaint because the ’458 patent itself is in evidence. Mot. 1–2. Moreover, according to Patent Owner, its characterization of the ’458 patent is irrelevant and, even if relevant, cumulative to the ’458 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the ’458 patent, but to show that Patent Owner’s characterization of the ’458 patent supports Petitioner’s contention that the ’458 patent is a covered business method patent. Opp. 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the ’458 patent is a covered business

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method patent. *Id.* Moreover, contends Petitioner, Patent Owner's characterization of the '458 patent in another proceeding is not in the '458 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '458 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '458 patent), but as evidence of how Patent Owner has characterized the '458 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '458 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '458 patent in prior proceedings is relevant to the credibility of its characterization of the '458 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the '458 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. Mot. 3. Patent Owner's argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner's characterization of the '458 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '458 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–10).

Accordingly, we decline to exclude Exhibit 1202.

Exhibit 1208

Patent Owner seeks to exclude Exhibit 1208 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger

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Declaration, and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3–4.

Petitioner does not oppose excluding Exhibit 1208. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1208 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1208, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1208.

Exhibits 1203, 1205–1207, 1209, 1211–1219, 1226, and 1227

Patent Owner seeks to exclude Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, 1226, and 1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5–6; Paper 48, 2. Patent Owner additionally seeks to exclude Exhibits 1203, 1205, 1213, 1214, 1215, and 1218 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 6–8; Paper 48, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2–3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, the elements disclosed by the challenged claim were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. Specifically,

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these exhibits are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206, 1207, 1209, 1211, 1212, 1216, 1217, 1219, and 1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2020 ¶¶ 28–49, 76–105) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 32).

Accordingly, we decline to exclude Exhibits 1203, 1205–1207, 1209, 1211–1219, 1226, and 1227.

Exhibit 1220

Patent Owner seeks to exclude Exhibit 1220, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 48, 2. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Weschelberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Mot. 8–10; Paper 48, 2.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert

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opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1220 in its entirety, we exclude paragraphs 28–71 from the declaration. Mot. 11. Specifically, Patent Owner states:

Paragraphs 28–71 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101 and § 112 ¶2. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the

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scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner further requests that we exclude paragraphs 24–26 and 72–75 because these paragraphs are “unreliable and lacking foundation” because “[t]hese paragraphs deal with the issue of indefiniteness and the Wechselberger Declaration does not prove that Mr. Wechselberger is an expert whose testimony is relevant to the issue.” *Id.* at 12. Paragraphs 24–26 are directed to the definition of one of ordinary skill in the art, rather than any particular testimony regarding indefiniteness under § 112, and Patent Owner makes no arguments regarding this definition. Paragraphs 72–75 address how one of ordinary skill in the art would understand the claim language. Patent Owner does not appear to take issue with Mr. Wechselberger testifying as one of ordinary skill in the art. *See* Mot. 12. Because this testimony is related to how one skilled in the art would understand certain claim limitations, and Mr. Wechselberger qualifies as one skilled in the art, we are not persuaded that we should exclude this testimony.

Patent Owner also requests that we exclude paragraphs 76–105 of Exhibit 1220 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* at 12. Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

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ORDER

Accordingly, it is:

ORDERED that Patent Owner's motion to terminate this proceeding with respect to claim 1 is *granted*;

FURTHER ORDERED that CBM2015-00016 is terminated with respect to claim 1;

FURTHER ORDERED that claims 6, 8, 10, and 11 of the '458 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1208 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 23
Entered: April 10, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00016
Patent 8,033,458 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS
Administrative Patent Judges.

PLENZLER, *Administrative Patent Judge.*

DECISION
Institution of Covered Business Method Patent Review
and Denying Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

Appx227

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INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Corrected Petition requesting covered business method patent review of claims 1, 6, 8, 10, and 11 (the “challenged claims”) of U.S. Patent No. 8,033,458 (Ex. 1201, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 9 (“Pet.”). Petitioner also filed a Motion for Joinder. Paper 3 (“Mot.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response (Paper 19, “Prelim. Resp.”) and an Opposition to the Motion for Joinder (Paper 10, “Opp.”). Petitioner filed a Reply in support of its Motion for Joinder. Paper 18 (“Reply”).

We have jurisdiction under 35 U.S.C. § 324(a), which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1, 6, 8, 10, and 11 of the ’458 patent. Petitioner’s Motion for Joinder is *denied*.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds:

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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References	Basis	Claims Challenged
Not Applicable	§ 101	1, 6, 8, 10, and 11
Not Applicable	§ 112	11
Stefik ² and Ahmad ³	§ 103	6 and 8
Stefik, Ahmad, and Kopp ⁴	§ 103	6 and 8
Stefik, Ahmad, and Sato ⁵	§ 103	6 and 8
Stefik, Ahmad, Kopp, and Sato	§ 103	6 and 8
Stefik, Ahmad, and Ginter ⁶	§ 103	10 and 11
Stefik, Ahmad, Kopp, and Ginter	§ 103	10 and 11

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1220.

C. Related Matters

The parties indicate that the '458 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Elecs Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 17–18; Paper 8, 3. Patent Owner also indicates that the '458 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 8, 3.

Petitioner previously filed two Petitions for covered business method patent review of the '458 Patent: CBM2014-00106 and CBM2014-00107. Those petitions were instituted under 35 U.S.C. § 103 with respect to claim 1. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00106, Slip Op. at 26

² U.S. Patent No. 5,530,235 (Ex. 1213) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1214) (“Stefik ’980”) (collectively, “Stefik”).

³ U.S. Patent No. 5,925,127 (Ex. 1203) (“Ahmad”).

⁴ U.S. Patent No. 5,940,805 (Ex. 1205) (“Kopp”).

⁵ JP Patent Application Publication No. H11-164058 (including translation), published June 18, 1999 (Ex. 1218) (“Sato”).

⁶ U.S. Patent No. 5,915,019 (Ex. 1215) (“Ginter”).

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(PTAB Sept. 30, 2014) (Paper 8). Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, filed by Petitioner.

Concurrent with the filing of this Petition, Petitioner filed three other Petitions for covered business patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2015-00015, CBM2015-00017, and CBM2015-00018.

D. The '458 Patent

The '458 patent is titled "Data Storage and Access Systems," and is directed to a portable data carrier for storing and paying for data and to computer systems for providing access to the stored data. Ex. 1201, 1:21–23. Figure 9 of the '458 patent, reproduced below, illustrates components of a portable data carrier.

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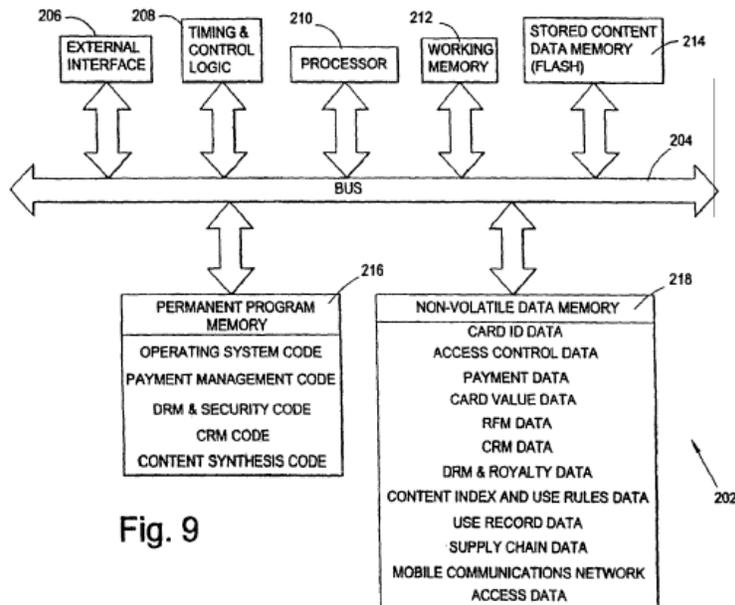


Figure 9 is a schematic diagram of the components of portable data carrier 202. Portable data carrier 202 is shown as a “smart Flash card.” *Id.* at 17:6–8.

The ’458 patent explains that portable data carrier 202 includes processor 210, working memory 212, timing and control logic 208, an external interface for reading data from and writing data to portable data carrier 202, non-volatile (Flash) content data memory 214, permanent program memory 216, and non-volatile data memory 218. *Id.* at 17:16–24. Content data memory 214 stores content data, such as video data. *Id.* at 17:66–18:4. Non-volatile data memory 218 includes payment data. *Id.* at 17:34–35. Permanent program memory 216 stores code implemented by processor 200 that provides payment data to pay for downloaded content. *Id.* at 17:30–35.

Figure 10 of the ’458 patent, reproduced below, illustrates components of a data access device.

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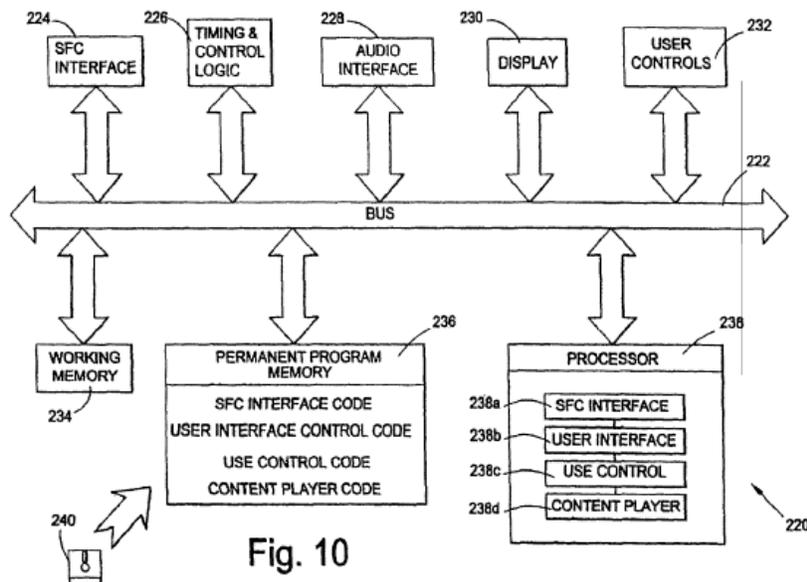


Figure 10 is a schematic diagram of data access device 220.

The '458 patent describes data access device 220 as “a conventional dedicated computer system including a processor 238, permanent program memory 236, such as ROM, working memory 234, such as RAM, and timing and control logic 226 all coupled by a data and communications bus 222.” *Id.* at 18:7–12. Data access device 220 additionally includes smart Flash card interface 224 and a user interface having audio interface 228, display 230, and user controls 232. *Id.* at 18:12–17. Permanent program memory 236 stores code implemented by processor 238. *Id.* at 18:18–19.

A user can access data from portable data carrier 202 via data access device 220. *Id.* at 24:16–49. In order to determine whether access to a selected item is permitted, data access device 220 retrieves use status data and associated content use rules from portable data carrier 202. *Id.* at 24:35–37. The use status data is compared to the use rules to determine if access is permitted. *Id.* at 24:37–39.

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E. Illustrative Claims

As noted above, Petitioner challenges claims 1, 6, 8, 10, and 11. Claims 1 and 6 are independent, with claims 8, 10, and 11 depending from claim 6. Claims 1 and 6 are illustrative of the claimed subject matter and are reproduced below:

1. A portable data carrier, comprising:
 - an interface for reading and writing data from and to the carrier;
 - non-volatile data memory, coupled to the interface, for storing data on the carrier;
 - non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;
 - a program store storing code implementable by a processor;
 - a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store; and
 - a subscriber identity module (SIM) portion to identify a subscriber to a network operatorwherein the code comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Id. at 25:53–26:3.

6. A data access device for retrieving stored data from a data carrier, the device comprising:
 - a user interface;
 - a data carrier interface;
 - a program store storing code implementable by a processor; and

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a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;

code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and

code to access the stored data when access is permitted.

Id. at 27:8–23.

ANALYSIS

A. Consolidation

The statutory provision governing consolidation of *inter partes* review proceedings is 35 U.S.C. § 325(c), which reads as follows:

(c) JOINDER. — If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

Petitioner moves to consolidate this proceeding with CBM2014-00106.⁷ Mot. 2. In CBM2014-00106, we instituted trial on claim 1 of the '458 patent under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, CBM2014-00106, Paper 8, 26 (PTAB Sept. 30, 2014). We declined to

⁷ Petitioner refers to Section 325(c) and seeks “joinder.” Although that provision is titled “Joinder,” it grants the Director authority only to “consolidate.” Thus, we treat Petitioner’s request as a request to consolidate pursuant to Section 325(c).

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institute trial on claims 6–8, 10, and 11 based on the prior art cited in that petition. *Id.* A Patent Owner Response was filed on February 27, 2015. CBM2014-00106, Paper 23.

Petitioner argues that consolidating this proceeding with CBM2014-00106 will secure the just, speedy, and inexpensive resolution of these proceedings. Mot. 4. Petitioner argues that this Petition involves the same patent, same parties, same counsel, same expert, and one of the same prior art references as CBM2014-00106. *Id.* at 5–6. Petitioner argues that the “significant overlap in subject matter and prior art” lead to significant efficiencies in briefing, discovery (i.e., depositions), and argument. *Id.* at 7. Petitioner also argues that “[j]oinder here need not have any appreciable effect on the trial schedule of [CBM2014-00106]” because the due dates in this proceeding could be compressed without unfairly prejudicing either party. *Id.* at 8. Finally, Petitioner requests, in the event consolidation is denied, that we coordinate the schedule in this proceeding with CBM2014-00106 such that, at minimum, oral arguments in the two proceedings occur together. *Id.* at 9.

Patent Owner argues that Petitioner has filed a total of twenty-one petitions—“three, four, or five per patent”—over an eight month period and, therefore, not even consolidation will secure the just, speedy, and inexpensive resolution of these proceedings. Opp. 3–4. According to Patent Owner, the Petitioner’s motion to consolidate is untimely because the changes made in the Corrected Petition were extensive enough to warrant according a new filing date of November 21, 2014 (the date of the Corrected Petition), which is more than one month after September 30, 2014, the date on which CBM2014-00106 was instituted. Opp. 5–7. Patent Owner also

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points out that consolidation will not streamline discovery because Petitioner has filed five additional petitions for covered business method patent review that will not be entitled to consolidation with the earlier-filed proceedings and, therefore, at least those five Petitions, assuming they are instituted, will not be on the same schedule. *Id.* at 8–9. Patent Owner argues that Petitioner’s request for coordinated schedules should be denied for the same reasons. *Id.* at 8.

Petitioner replies that it timely filed the instant Petition and Motion for Joinder. Reply 3–4. Petitioner also argues that the later-filed petitions for covered business method patent review identified by Patent Owner are not relevant to whether to consolidate this proceeding with an earlier proceeding involving the ’458 patent because those later-filed petitions relate to two different patents for which no trial has been instituted yet. *Id.* at 4–5.

We have considered Petitioner’s arguments in support of consolidation and Patent Owner’s arguments in opposition. In CBM2014-00106, we instituted under 35 U.S.C. § 103 whereas, in this proceeding, we institute only under 35 U.S.C. § 101. We determine that the proceedings involve non-overlapping grounds, and thus, we are not persuaded that consolidation is warranted or justified on the facts presented. As discussed above, consolidation of two or more proceedings for covered business method patent review is discretionary. *See* 35 U.S.C. § 325(c). We decline to exercise that discretion to consolidate these proceedings. Likewise, we do not exercise our discretion to coordinate the schedule in this case with that of CBM2014-00106, given that we instituted trial in CBM2014-00106 on September 30, 2014, more than six months ago. *See* 37 C.F.R. § 42.222(a).

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B. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC.*, 778 F.3d 1271, 1281–82 (Fed. Cir. 2015) (“Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA,” and “the standard was properly adopted by PTO regulation.”). Applying that standard, we interpret the claim terms of the ’458 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Petitioner proposes constructions for several terms (Pet. 19–24), and Patent Owner offers no proposed claim constructions. For purposes of this decision, we construe the claim terms “use rules” and “use rules data.”

The term “use rules data” is recited in claim 6, and “use rules” is recited in claim 11. Petitioner proposes that “use rules” be construed to mean “rules specifying a condition under which access to content is permitted” and “use rules data” to mean “data for rules specifying a condition under which access to content is permitted.” Pet. 21 (citing *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, Slip Op. at 7 (PTAB Sept. 30, 2014) (Paper 8) (construing “use rule” in related U.S. Patent No. 8,061,598); *Apple Inc. v. Smartflash LLC*, CBM2014-00112, Slip Op. at 7 (PTAB Sept. 30, 2014) (Paper 7) (construing “use rule data” in related U.S. Patent No. 7,942,317)).

The ’458 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1201, Abstract) and as “indicating permissible use of

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data stored on the carrier” (*id.* at 9:14–16). The ’458 patent also describes “evaluating the use status data using the use rules to determine whether access to the stored data is permitted.” *Id.* at 6:38–40; *see also id.* at 21:50–53 (“[E]ach content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.”). Accordingly, for purposes of this decision, we construe “use rules” as “rules specifying a condition under which access to content is permitted.”

The ’458 patent describes “use rule data” as “comprising a list of values (i.e. content data item prices) *and* corresponding levels of permitted usage.” Ex. 1201, 14:66–15:1 (emphasis added). The ’458 patent further explains that “[t]hus a value of £1 might permit ten plays of a music track, while the value of £10 might permit an unlimited number of plays of the track and copying of the track for personal use.” *Id.* at 15:1–4. Accordingly, for purposes of this decision, we construe “use rules data” as “data for a rule specifying a condition under which access to content is permitted.”

C. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See*

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Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that claim 1 “concerns a computer system (corresponding to methods claimed elsewhere in the patent family) for performing data processing and other operations used in the *practice, administration, or management of a financial activity and service*” because it “explicitly describes storing and providing *payment data* to a *payment validation system.*” Pet. 12. Based on this record, we agree with Petitioner that the subject matter recited by claim 1 is directed to activities that are financial in nature, namely “providing payment data to an external device,” which is recited in the claim. Electronic transfer of money is a financial activity, and providing for such a transfer amounts to a financial service. This is consistent with the specification of the ’458 patent, which confirms claim 1’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1201, 1:21–23. The specification also states repeatedly that the disclosed invention involves handling payment data. *See, e.g.*, Ex. 1201, 17:30–42, 17:49–53.

Patent Owner disagrees that claim 1 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–8. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

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Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 1 is not directed to an apparatus or method that is financial in nature because claim 1 “omits the specifics of how payment is made.” Prelim. Resp. 9. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. *Id.* We determine that because claim 1 recites payment data, as Patent Owner acknowledges, the financial in nature requirement of § 18(d)(1) is satisfied.

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For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '458 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 1 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 13–17. In particular, Petitioner argues that claim 1 "does not claim 'subject matter as a whole [that] recites a *technological feature* that is novel and unobvious over the prior art[] and solves a *technical problem* using a *technical solution*.'" Pet. 15 (quoting 37 C.F.R. § 42.301(b)) (emphases in original). Patent Owner disagrees and argues that the "subscriber identity module (SIM) portion" qualifies as a novel and unobvious technological feature. Prelim. Resp. 10–12.

We are persuaded that claim 1 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Although claim 1 recites a "subscriber identity module (SIM) portion," the specification indicates that SIM cards were known. The specification states, for example, that "mobile phone SIM (Subscriber Identity Module) card[s] . . . already include a user identification means, to allow user billing through the phone network operator." Ex. 1201, 4:10–13.

In addition, the '458 patent makes clear that the asserted novelty of the invention is not in any specific improvement of hardware, but in the method of controlling access to data. For example, the '458 patent states that "there is an urgent need to find a way to address the problem of data piracy" (*id.* at 1:52–55), and provides the example of a "smart Flash card" for a data carrier, referring to "the ISO (International Standards

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Organization) series of standards, including ISO 7810, ISO 7811, ISO 7812, ISO 7813, ISO 7816, ISO 9992 and ISO 10102” (*id.* at 17:8–9, 11–15) for further details on smart cards. Thus, we determine that claim 1 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 1 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed towards solving the technological problem of “[providing] a portable data carrier that allows a subscriber to be identified to a network operator” with the technological solution of “a subscriber identity module (SIM) portion to identify the subscriber to the network operator.” Prelim. Resp. 11. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 1 is a business problem—data piracy. Pet. 16–17. For example, the specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1201, 2:11–15. Thus, based on the particular facts of this proceeding, we conclude that claim 1 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’458 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

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D. 35 U.S.C. § 101

Petitioner challenges claims 1, 6, 8, 10, and 11 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 24–36. Patent Owner does not address the merits of this challenge. *See* Prelim. Resp. 12–15. Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 24–36. Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “payment for something, and/or of controlling access to something.” *Id.* at 26.

We agree with Petitioner that the challenged claims of the ’458 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “portable data carrier” (claim 1) or a “data access device” (claims 6–8, 10, and 11), under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court

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reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The ’458 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7–25. The ’458 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and payment data. *Id.* Abstract, 1:59–2:15. We are, thus, persuaded, on this record, that the claimed device is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire*

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Software, Inc., 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’458 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

The specification treats as well-known all potentially technical aspects of the claims, including “interface,” “data memory,” “program store,” “processor,” “data carrier,” and the various “code to” limitations recited in the challenged claims. Although claim 1 recites a “subscriber identity module (SIM) portion to identify a subscriber to a network operator,” the specification does not purport that SIM cards are novel and, instead, explains that “mobile phone SIM (Subscriber Identity Module) card[s] . . . already include a user identification means, to allow user billing through the phone network operator.” Ex. 1201, 4:10–13. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

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Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. However, because we already instituted upon claim 11 under 35 U.S.C. § 101 in CBM2014-00192, and because whether claim 11 is directed to patent-eligible subject matter is an issue of law, we exercise our discretion under 35 U.S.C. § 325(d) to decline to institute a covered business method patent review of claim 11 under this ground in this proceeding.

Patent Owner argues that Petitioner’s assertion of this ground is untimely because Petitioner “provides no valid reason why it did not raise this purely legal issue as grounds for invalidity in its two prior petitions filed long before the instant Corrected Petition.” Prelim. Resp. 13. According to Patent Owner,

[A]llowing Apple to raise new grounds of invalidity that it could have and should have raised in its March 31, 2014 petitions encourages Apple’s piecemeal invalidity challenges to Patent Owner’s patent claims and runs afoul of the Board’s charge to ‘secure the just, speedy, and inexpensive resolution’ of Apple’s covered business method challenges to the ‘458 Patent.

Id. at 14. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court’s June 19, 2014, decision in *Alice* was decided after Petitioner’s original petitions were filed on April 1, 2014. *Id.* at 13. Thus, on this record, we are not persuaded that Petitioner’s assertion of a new ground based on 35 U.S.C. § 101 is untimely.

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Conclusion

On this record, Petitioner has established that it is more likely than not that claims 1, 6, 8, and 10 are unpatentable under 35 U.S.C. § 101.

E. Indefiniteness of Claim 11

Petitioner challenges claim 11 as being indefinite under 35 U.S.C. § 112, ¶ 2.⁸ Pet. 77–78. Claim 6 recites “use rules data,” and does not recite “use rules.” Claim 11, which depends from claim 6, however, recites “said use rules” in its initial instance.

Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. It is unclear whether claim 11 should recite “use rules” or “said use rules data,” rather than “said use rules.” As Petitioner notes, and as indicated above, we have construed “use rules” and “use rules data” differently. Accordingly, we are persuaded that claim 11 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C. § 112, ¶ 2. *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) (holding “that if a claim is amenable to two or more plausible claim constructions, the USPTO is justified in requiring the applicant to more precisely define the metes and bounds of the claimed invention by holding the claim unpatentable under 35 U.S.C. § 112, second paragraph, as indefinite”); *See also Nautilus, Inc. v. Biosig, Instruments*,

⁸ Petitioner cites 35 U.S.C. § 112(b). We note, however, that the ’458 patent was filed in 2010 (prior to application of the AIA). The pre-AIA laws, therefore, apply to the challenges to the ’458 patent.

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Inc., 134 S. Ct. 2120, 2129 (2014) (holding that § 112, ¶ 2 requires “that a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.”).

Conclusion

On this record, Petitioner has established that it is more likely than not that claim 11 is indefinite under 35 U.S.C. § 112, ¶ 2.

F. Obviousness Challenges

Petitioner argues that claims 6 and 8 are unpatentable under 35 U.S.C. § 103(a) as obvious over: Stefik and Ahmad; Stefik, Ahmad, and Kopp; Stefik, Ahmad, and Sato; and Stefik, Ahmad, Kopp, and Sato. Pet. 36–70. Petitioner argues that claims 10 and 11 are unpatentable under 35 U.S.C. § 103(a) as obvious over: Stefik, Ahmad, and Ginter; and Stefik, Ahmad, Kopp, and Ginter. *Id.* at 36–50, 70–77.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it

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would prevail in showing that claims 6, 8, 10, and 11 are unpatentable as obvious over any of the combinations identified above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 36–77.

With respect to independent claim 6, for example, Petitioner cites Stefik for each claim element. *Id.* at 45–58. Petitioner even cites to two different embodiments of Stefik for most claim elements. *See, e.g., id.* at 56 (“a requesting repository retrieving data from a remote supplying repository” and “a repository retrieving data from local storage”). At the same time, Petitioner cites Ahmad, Kopp, and Sato for a majority of the limitations of claim 6. *Id.*

With respect to the recited “use status data,” “use rules data,” and “code to evaluate the use status data using the use rules data” in claim 6, for example, Petitioner cites a number of portions of Stefik in the Petition’s claim chart, as well as portions of Ahmad and Kopp. *See id.* at 58–65. Petitioner does not allege directly that Stefik alone teaches or renders obvious each limitation, yet, as noted above, Petitioner cites Stefik for each claim limitation. At the same time, Petitioner proposes combining a number of features from Ahmad and/or Kopp with the teachings of Stefik. *Id.* at 42, 44–45.

Moreover, in the “Motivation to Combine Stefik with Ahmad” section (*id.* at 41–43), Petitioner indicates that “Stefik and Ahmad render obvious . . . ‘use status data indicating a use status of data,’ ‘use rules data indicating

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permissible use of data,’ and ‘code to evaluate the use status data using the use rules data to determine whether access is permitted’” (*id.* at 42).⁹ Petitioner notes that “the data usage controlling system taught by the combination of Stefik and Ahmad” teaches these limitations. *Id.* Similarly, in the “Motivation to Combine Stefik with Ahmad and Kopp” section (*id.* at 43–45), Petitioner indicates that “[t]he teachings of Stefik, Ahmad, and Kopp render obvious various limitations of claims 6, 8, 10, and 11, including ‘use status data indicating a use status of data,’ ‘use rules data indicating permissible use of data,’ and ‘code to evaluate the use status data using the use rules data to determine whether access is permitted’” (*id.* at 45). Petitioner notes that “the data usage controlling system taught by the combination of Stefik, Ahmad, and Kopp” teaches these limitations. *Id.*

Petitioner’s analysis, however, does not include any indication of what specific teaching is lacking in Stefik (i.e., the differences between the claimed subject matter and Stefik). Nor do the claim charts, or the numerous footnotes referenced therein, make clear the differences between the claimed subject matter and cited references. For example, with respect to “use rules data,” the claim chart identifies various “rights” in Stefik, and Petitioner contends that “[t]hese restrictions disclosed in Stefik include some of the same content rules disclosed in the ’458 patent.” *Id.* at 59, n.27. The claim chart, however, also indicates that Ahmad discloses retrieving “use rules data,” and Petitioner contends that it would have been “obvious to implement Stefik’s repository configuration using Ahmad’s explicit

⁹ The challenge to claim 6 based on the combination of Stefik, Ahmad, and Sato also relies on the combination of Stefik and Ahmad for the “use status data,” “use rules data,” and “code to evaluate the use status data using the use rules data” limitations. *See id.* at 45–46, 58–65.

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teachings of a software monitor to track and limit the usage of digital works in Stefik's repository." *Id.* at 61, n.28.

Nowhere does Petitioner explain any differences between the claimed invention and Stefik. As a result, it is not clear, for example, whether Petitioner is alleging that certain claim limitations are taught by Stefik, rendered obvious by Stefik, taught by Ahmad, Kopp, or Sato, or rendered obvious in view of Stefik, Ahmad, Kopp, and/or Sato.

Because Petitioner has not articulated sufficiently a difference between the claimed invention and Stefik, or how any differences would be remedied by incorporating teachings from Ahmad, Kopp, or Sato, we are not persuaded that Petitioner has shown that it is more likely than not that claim 6 and claim 8, which depends from claim 6, would have been obvious over the combination of Stefik and Ahmad, the combination of Stefik, Ahmad, and Kopp, the combination of Stefik, Ahmad, and Sato, or the combination of Stefik, Ahmad, Kopp, and Sato. Claims 10 and 11 depend from claim 6, and Petitioner's contentions regarding these claims do not cure the deficiencies noted above with respect to claim 6.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 6 and 8 are unpatentable as obvious over: Stefik and Ahmad; Stefik, Ahmad, and Kopp; Stefik, Ahmad, and Sato; or Stefik, Ahmad, Kopp, and Sato. Petitioner also has failed to establish that it is more likely than not that claims 10 and 11 are unpatentable as obvious over: Stefik, Ahmad, and Ginter; or Stefik, Ahmad, Kopp, and Ginter.

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CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 1, 6, 8, 10, and 11 of the '458 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to:

- A. Claims 1, 6, 8, and 10 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under; and
- B. Claim 11 under 35 U.S.C. § 112, second paragraph as being indefinite;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review;

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above; the trial commencing on the entry date of this Decision; and

FURTHER ORDERED that Petitioner's Motion for Joinder is *denied*.

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Paper 49
Entered: June 10, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,¹
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Apple has been dismissed as a Petitioner. Paper 49, 8.

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INTRODUCTION

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable. Paper 46 (“Final Dec.”), 26.

Patent Owner requests rehearing of the Final Decision. Paper 48 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically

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identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claims 1, 2, and 15 ("the challenged claims") are directed to patent-ineligible subject matter.² Req. Reh'g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5–10) and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party "specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner's arguments regarding *DDR Holdings*, Patent Owner simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 10–12." Request 7 n.3. Similarly, in Patent Owner's

² Patent Owner does not seek rehearing with respect to claim 31.

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arguments regarding *Alice*, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are abstract ideas was previously addressed. *See* PO Resp. 10–22; *see also* Tr. 46:21–47:11” (*id.* at 10 n.5) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 11–12” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner’s arguments are either new or were addressed in our Final Decision. For example, Patent Owner’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* Paper 32 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 6–7 (citing Final Dec. 15) (“The Board

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rejected Patent Owner's reliance on *DDR Holdings* (at 15), holding that the challenged claims were not 'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'"). For example, Patent Owner's arguments about inventive concept (Req. Reh'g 5-6, 12-15) were addressed at pages 9-12 and 16-18 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6) were addressed at pages 18-20 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 6-10) were addressed at pages 12-16 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner's Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner's Request is *denied*.

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Patent 8,061,598 B2

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Paper 46
Entered: March 30, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
Patent 8,061,598 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

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Patent 8,061,598 B2

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 44 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 2, 15, and 31 of the ’598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

The ’598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D.

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Tex. 2014); *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Paper 43, 4–5.

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining that claim 26 is unpatentable under 35 U.S.C. § 103. CBM2014-00108, Paper 50.

We also concurrently issue a Final Written Decision in CBM2014-00193 finding that claim 7 of the '598 patent is directed to patent-ineligible subject matter under 35 U.S.C. § 101.

C. The '598 Patent

The '598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored,” and the “corresponding methods and computer programs.” Ex. 1201, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The '598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. The '598 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways.

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See, e.g., id. at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Challenged Claims

The claims under review are claims 1, 2, 15, and 31 of the ’598 patent. Claims 1 and 31 are independent, and claims 2 and 15 depend from claim 1. Claims 1 and 31 recite the following:

1. A portable data carrier comprising:
 - an interface for reading and writing data from and to the portable data carrier;
 - content data memory, coupled to the interface, for storing one or more content data items on the carrier;
 - use rule memory to store one or more use rules for said one or more content data items;
 - a program store storing code implementable by a processor; and
 - a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1201, 25:54–67.

31. A method of controlling access to content data, the method comprising:
 - receiving a data access request from a user for a content data item, reading the use status data and one or more use rules from parameter memory that pertain to use of the requested content data item;

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evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and

enabling access to the content data item responsive to a determination that access to the content data item is permitted.

Id. at 28:18–30.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26–38. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1.

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1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “portable data carrier” (claim 1)—and a “process”—i.e., a “method” (claim 31)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34

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(“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 26. Specifically, Petitioner contends that “[m]ethod claim 31 and device claims 1, 2 and 15 are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 29. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–20; *see also* Paper 44 (transcript of oral hearing), 46:21–47:11 (Patent Owner arguing that the challenged claims do not cover an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to

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performing the fundamental economic practice of conditioning and controlling access to content (claims 1, 2, 15, and 31). For example, claim 1 recites “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.” Claim 31 recites “evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted” and “enabling access to the content data item responsive to a determination that access to the content data item is permitted.”

As discussed above, the '598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59–2:4. The '598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As

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discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 1, 2, 15 and 31 of the '598 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract

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idea.” Pet. Reply 8. We are persuaded that claims 1, 2, 15, and 31 of the ’598 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 30–36.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 30–31 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 11–12 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5–8, 13–14 (citing Ex. 1201, 4:4–5, 16:46–50, 18:7–11). With respect to the “portable data carrier” recited in claim 1, for example, the

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Specification states it may be a generic device such as “a standard smart card.” Ex. 1201, 11:27–29; *see also id.* at 14:25–29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6.

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 32–33. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 2, 15, and 31 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 11–12. The challenged claims generically recite several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and generically recite several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent

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simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 38; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 38.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject

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matter because the claimed solution is “‘necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier the digital content data item and at least one use rule (claim 1), and “code to provide access to the at least one content data item in accordance with the at least one use rule” (claim 2), or “a content access PIN memory store to store a PIN number for controlling access to the content data memory” (claim 15), or “evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and enabling access to the content data item responsive to a determination that access to the content data item is permitted” (claim 31), access control to the digital content data item can be continuously enforced prior to access to the digital content data item, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected, and additional content can be obtained.

Id. at 10–11.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 9–17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical

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venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 11–12). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10–13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts

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of compact discs, the pay TV industry, software data, and DVDs. *Id.* at 11 (citing Ex. 1219 ¶ 77; Ex. 1201, 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1215, 1:13–23. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 11–12 (citing Ex. 1219 ¶¶ 37, 75–77; Ex. 1208, Abstract, 4:27–35).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 10–12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the ’598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 2 of the ’598 patent recites “code to provide access to the at least one content data item in accordance with the at least one use rule.” There is no language in this claim, in any of the other challenged claims, or in the specification of the ’598 patent, that demonstrates that the generic computer components—“code to provide access” and “content data item” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to provide access,” “content data item,” and “use rule” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.”

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Ultramerical, Inc., 772 F.3d at 716. This limitation merely relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramerical*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramerical* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramerical*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramerical* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the

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following disclosure from the '598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 7 (quoting Ex. 1201, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 7–8.

As Petitioner notes, the concepts of continuous enforcement, and subsequent, portable, and disconnected use are not recited in the challenged claims. Pet. Reply 6 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art

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discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 7–8 (citing Ex. 1216); Ex. 1216, 10:24–30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 40 (citing Ex. 1212); Ex. 1212, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 10–11)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

The Petition states that the “broad functional nature [of the challenged claim] firmly triggers preemption concerns.” Pet. 36. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 13–20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recites a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the

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existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 18–20.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17–20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

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The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (“the “co-pending litigation”) with Patent Owner (PO Resp. 20–

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21); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 21).

We are not persuaded by the first argument because Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). We also are not persuaded by the second argument because Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims of the ’598 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 21.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 38, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 41, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 42). Patent Owner seeks to exclude Exhibits 1202–1208, 1211, 1212–1219, and 1225–1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

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1. Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–3; Paper 42, 1–2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’598 patent in the complaint because the ’598 patent itself is in evidence. Mot. 2. Moreover, according to Patent Owner, its characterization of the ’598 patent is irrelevant and, even if relevant, cumulative to the ’598 patent itself. *Id.* at 2–3.

We are persuaded that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the ’598 patent), but as evidence of how Patent Owner has characterized the ’598 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the ’598 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the ’598 patent in prior proceedings is relevant to the credibility of its characterization of the ’598 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the ’598 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’598 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’598 patent does not satisfy the “financial in nature”

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requirement for a covered business method patent review (Paper 18 (Preliminary Response), 5–10).

Accordingly, we decline to exclude Exhibit 1202.

2. Exhibit 1205

Patent Owner seeks to exclude Exhibit 1205 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger Declaration,¹ and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3–4.

Petitioner does not oppose excluding Exhibit 1205. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1205 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1205, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1205.

3. Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227

Patent Owner seeks to exclude Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5–6; Paper 42, 2. Patent Owner also seeks to exclude Exhibits 1203, 1204, 1212, and 1213 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 7–8; Paper 42, 2.

¹ Declaration of Anthony J. Wechselberger. Ex. 1219.

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Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2–3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2019 ¶¶ 36–55, 81–85, App. C.) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 35). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227.

4. *Exhibit 1219*

Patent Owner moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 42, 2–3. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (*e.g.*,

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substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Weschelberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Mot. 10–11; Paper 42, 2–3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether a petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

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Patent Owner further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 30–98 from the declaration. Mot. 11–12. Specifically, Patent Owner states:

Paragraphs 30-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11–12.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the scope of the challenged claims, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner also requests that we exclude paragraphs 69–98 of the Exhibit 1219 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that claims 1, 2, 15, and 31 of the ’598 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

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FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 22
Entered: April 10, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
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Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

CLEMENTS, *Administrative Patent Judge.*

DECISION
Instituting Covered Business Method Patent Review
and Denying Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

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INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition requesting covered business method patent review of claims 1, 2, 7, 15, and 31 (the “challenged claims”) of U.S. Patent No. 8,061,598 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 9 (“Pet.”). Petitioner also filed a Motion for Joinder. Paper 3 (“Mot.”). Patent Owner, Smartflash LLC (“Patent Owner”), filed a Preliminary Response (Paper 18, “Prelim. Resp.”) and an Opposition to the Motion for Joinder (Paper 10, “Opp.”). Petitioner filed a Reply in support of its Motion for Joinder. Paper 17 (“Reply”). We have jurisdiction under 35 U.S.C. § 324(a), which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1, 2, 15, and 31 of the ’598 patent. Petitioner’s Motion for Joinder is *denied*.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds:

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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References	Basis	Claims Challenged
Not applicable	§ 101	1, 2, 7, 15, and 31
Stefik ² and Ahmad ³	§ 103	1, 2, 15, and 31 ⁴
Stefik, Ahmad, and Kopp ⁵	§ 103	1, 2, 15, and 31 ⁶

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1219.

C. Related Matters

The parties indicate that the '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014). Pet. 20–21; Paper 8, 2–3. Patent Owner also indicates that the '598 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014). Paper 8, 3.

Petitioner previously filed two Petitions for covered business method patent review of the '598 patent: CBM2014-00108 and CBM2014-00109. Those petitions were instituted under 35 U.S.C. § 103 with respect to claim 26, and consolidated into a single proceeding. *Apple Inc. v. Smartflash LLC*,

² U.S. Patent No. 5,530,235 (Ex. 1212) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1213) (“Stefik ’980”) (collectively, “Stefik”).

³ U.S. Patent No. 5,925,127 (Ex. 1203) (“Ahmad”).

⁴ Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

⁵ U.S. Patent No. 5,940,805 (Ex. 1204) (“Kopp”).

⁶ Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

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Case CBM2014-00108 (PTAB Sept. 30, 2014) (Paper 8). Petitioner also previously filed ten Petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00102, CBM2014-00103, CBM2014-00104, CBM2014-00105, CBM2014-00106, CBM2014-00107, CBM2014-00110, CBM2014-00111, CBM2014-00112, and CBM2014-00113. Pet. 21.

Concurrent with the filing of this Petition, Petitioner filed three other Petitions for covered business patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2015-00015, CBM2015-00016, and CBM2015-00018.

D. The '598 Patent

The '598 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1201, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The '598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. The

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'598 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Illustrative Claim

Petitioner challenges claims 1, 2, 7, 15, and 31 of the '598 patent. Claims 1 and 31 are independent. Claims 2, 7, and 15 depend from claim 1. Claim 1 is illustrative of the challenged subject matter and recites the following:

1. A portable data carrier comprising:
an interface for reading and writing data from and to the portable data carrier;
content data memory, coupled to the interface, for storing one or more content data items on the carrier;
use rule memory to store one or more use rules for said one or more content data items;
a program store storing code implementable by a processor;
and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,
wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1201, 25:54–67.

ANALYSIS

A. Consolidation

The statutory provision governing consolidation of *inter partes* review proceedings is 35 U.S.C. § 325(c), which reads as follows:

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(c) JOINDER. — If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

Petitioner moves to consolidate this proceeding with CBM2014-00108.⁷ Mot. 1. In CBM2014-00108, we instituted trial on claim 26 of the '598 patent under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, CBM2014-00108, Paper 8, 24 (PTAB Sept. 30, 2014). We declined to institute trial on claims 1, 2, 7, 13, 15, and 31 based on the prior art cited in that petition. *Id.* A Patent Owner Response was filed on February 27, 2015. CBM2014-00108, Paper 23.

Petitioner argues that consolidating this proceeding with CBM2014-00108 will secure the just, speedy, and inexpensive resolution of these proceedings. Mot. 4. Petitioner argues that this Petition involves the same patent, same parties, same counsel, same expert, and one of the same prior art references as CBM2014-00108. *Id.* at 5–6. Petitioner argues that the “significant overlap in subject matter and prior art” lead to significant efficiencies in briefing, discovery (i.e., depositions), and argument. *Id.* at 7. Petitioner also argues that “[j]oinder . . . need not have any appreciable effect on the trial schedule of [CBM2014-00108]” because the due dates in this proceeding could be compressed without unfairly prejudicing either party. *Id.* at 8. Finally, Petitioner requests, in the event consolidation is

⁷ Petitioner refers to Section 325(c) and seeks “joinder.” Although that provision is titled “Joinder,” it grants the Director authority only to “consolidate.” Thus, we treat Petitioner’s request as a request to consolidate pursuant to Section 325(c).

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denied, that we coordinate the schedule in this proceeding with CBM2014-00108 such that, at minimum, oral arguments in the two proceedings occur together. *Id.* at 9.

Patent Owner argues that Petitioner has filed a total of twenty-one petitions—“three, four[,] or five per patent”—over an eight month period and, therefore, not even consolidation will secure the just, speedy, and inexpensive resolution of these proceedings. Opp. 3–4. According to Patent Owner, the Petitioner’s motion to consolidate is untimely because the changes made in the Corrected Petition were extensive enough to warrant according a new filing date of November 21, 2014 (the date of the Corrected Petition), which is more than one month after September 30, 2014, the date on which CBM2014-00108 was instituted. Opp. 5–7. Patent Owner also points out that consolidation will not streamline discovery because Petitioner has filed five additional petitions for covered business method patent review that will not be entitled to consolidation with the earlier-filed proceedings and, therefore, at least those five Petitions, assuming they are instituted, will not be on the same schedule. *Id.* at 8–9. Patent Owner argues that Petitioner’s request for coordinated schedules should be denied for the same reasons. *Id.* at 8.

Petitioner replies that it timely filed the instant Petition and Motion for Joinder. Reply 3–4. Petitioner also argues that the later-filed petitions for covered business method patent review identified by Patent Owner are not relevant to whether to consolidate this proceeding with an earlier proceeding involving the ’598 patent because those later-filed petitions relate to two different patents for which no trial has been instituted yet. *Id.* at 4–5.

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We have considered Petitioner’s arguments in support of consolidation and Patent Owner’s arguments in opposition. In CBM2014-00108, we instituted under 35 U.S.C. § 103 whereas, in this proceeding, we institute only under 35 U.S.C. § 101. We determine that the proceedings involve non-overlapping grounds, and thus, we are not persuaded that consolidation is warranted or justified on the facts presented. As discussed above, consolidation of two or more proceedings for covered business method patent review is discretionary. *See* 35 U.S.C. § 325(c). We decline to exercise that discretion to consolidate these proceedings. Likewise, we do not exercise our discretion to coordinate the schedule in this case with that of CBM2014-00108 given that we instituted trial in CBM2014-00108 on September 30, 2014, more than six months ago. *See* 37 C.F.R. § 42.222(a).

B. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.200(b); *see also In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271, 1281 (Fed. Cir. 2015) (“We conclude that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.”). Applying that standard, we interpret the claim terms of the ’598 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this decision, we construe the claim term “use rule.”

The term “use rule” is recited in independent claim 1. Petitioner proposes that “use rule” be construed to mean “a rule specifying a condition

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under which access to content is permitted.” Pet. 23 (citing *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108/109 (PTAB Sept. 30, 2014) (Paper 8, 7) (construing “use rule”)). The ’598 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1201, Abstract) and as “indicating permissible use of data stored on the carrier” (*id.* at 9:14–16). The ’598 patent also describes “evaluating the use status data using the use rules to determine whether access to the stored data is permitted.” *Id.* at 6:38–40; *see also id.* at 21:48–53 (“[E]ach content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.”). Accordingly, for purposes of this decision, we construe “use rule” as “a rule specifying a condition under which access to content is permitted.”

C. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

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1. Financial Product or Service

Petitioner asserts that claim 7 “clearly concerns a computer system . . . for performing data processing and other operations used in the practice, administration, or management of a financial activity and service” because it “describes storing and providing payment data to a payment validation system.” Pet. 13. Based on this record, we agree with Petitioner that the subject matter recited by claim 7 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the ’598 patent, which confirms claim 7’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1201, 1:21–23. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1201, 1:59–67, 6:60–64, 20:50–54.

Patent Owner disagrees that Claim 7 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–10. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent

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review, we do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 7 is not directed to an apparatus or method that is financial in nature because claim 7 “omits the specifics of how payment is made.” Prelim. Resp. 9. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. *Id.* We determine that because payment is required by claim 7, as Patent Owner acknowledges, the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’598 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

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2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 7 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 15–20. In particular, Petitioner argues that claim 7 does not recite a technological feature that is novel and unobvious or solve a technical problem using a technical solution. *Id.* Patent Owner disagrees and argues that claim 7, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 10–11.

We are persuaded that claim 7 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 1, on which claim 7 depends, recites only limitations such as "interface," "content data memory," "use rule memory," "program store," "processor," "code for storing," and "code to provide" data, which are not novel and unobvious. Claim 7 also recites a "payment validation system." The Specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, "[t]he payment validation system may be part of the data supplier's computer systems or it may be a separate e-payment system." Ex. 1201, 8:63–65; *see also id.* at 13:35–47.

In addition, the '598 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the '598 patent states that "there is an urgent need to find a way to address the problem of data piracy" (*id.* at 1:52–55), while acknowledging that the "physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety

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of forms” (*id.* at 12:29–32). Thus, we determine that claim 7 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 7 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed towards solving the technological problem of “storing at least one content data item in the content data memory and at least one use rule in the use rule memory” with the technological solution of “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.” Prelim. Resp. 10–11. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 7 is a business problem—data piracy. Pet. 18–19. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the Internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1201, 2:11–15. Thus, based on the particular facts of this proceeding, we conclude that claim 7 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’598 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

D. 35 U.S.C. § 101

Petitioner challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26–38. Analyzing the

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challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “payment for something, and/or of controlling access to something.” Pet. 28.

We agree with Petitioner that the challenged claims of the '598 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “portable data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the

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claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

As discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The ’598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. Ex. 1201, 1:59–2:4. The ’598 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*; *id.* at 1:59–2:15. We are, thus, persuaded, on this record, that the claimed “portable data carrier,” is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible

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application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the '598 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

As discussed above, the Specification treats as well-known all potentially technical additions to the claims, including “interface,” “content data memory,” “use rule memory,” “program store,” “processor,” “code for storing,” and “code to provide” data. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. However, because we already instituted a covered business method patent review of claim 7 under 35 U.S.C. § 101 in CBM2014-00193 (*Samsung Elecs. Am. Inc. v. Smartflash LLC*, CBM2014-00193, Paper 7, 19 (PTAB April 2, 2015)), and because whether claim 7 is directed to patent-eligible subject matter is an issue of law, we exercise our discretion under 35 U.S.C. § 325(d) to decline to institute a covered business method patent review of claim 7 under this ground in this case.

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Patent Owner argues that Petitioner's assertion of this ground is untimely because "[t]here is no reason [Petitioner] could not have raised its § 101 challenge in its initial filings." Prelim. Resp. 12. According to Patent Owner,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its April 1, 2014 petitions encourages Apple's piecemeal invalidity challenges to Patent Owner's patent claims and runs afoul of the Board's charge to "secure the just, speedy, and inexpensive resolution" of Apple's covered business method challenges to the '598 Patent.

Id. at 13. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court's June 19, 2014, decision in *Alice* was decided after Petitioner's original petitions were filed on April 1, 2014. Thus, on this record, we are not persuaded that Petitioner's assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Petitioner has established that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 101.

E. Obviousness based Stefik '235, Stefik '980, and Ahmad

Petitioner argues that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235, Stefik '980, and Ahmad. Pet. 38–74. Petitioner also argues that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235, Stefik '980, Ahmad, and Kopp. *Id.*

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the

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invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it would prevail in showing that claims 1, 2, 15, and 31 are unpatentable as obvious over any of the combinations listed above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the two references are to be combined, if at all. Pet. 45–74.

With respect to independent claim 1, for example, Petitioner cites Stefik for every element. *Id.* at 45–58. With respect to the recited “use rules,” Petitioner identifies “enumerated types of associated right restrictions” in a parenthetical, but appears to rely on Stefik’s Grammar Elements 1501 and 1502, which define digital work rights. *Id.* at 51–52. Petitioner argues that “[t]hese rules . . . include some of the same content rules disclosed in the ’598 patent,” such as a predetermined number of plays or time-limited access. *Id.* at 51. Petitioner then suggests, however, that Stefik’s digital work rights are not “use rules” by arguing the following:

At a minimum, a POSA would have found it obvious to implement the limitations and conditions in the contents of

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Stefik's rights as access rules. A POSA would at a minimum have been motivated and found it obvious to encode a conditional statement with the encoded contents of the right that dictates that the conditions must be checked and met before the digital work could be accessed. A POSA would have understood that such conditional statement could advantageously ensure the conditions are checked even if the digital work is transferred and stored on a device other than a repository that does not process the rights of a digital work in the same manner as a repository in a repository transaction protocol when access is requested.

Id. at 52–53, n.24. As a result, it is not clear whether Petitioner is alleging that Stefik's digital work rights are “use rules,” or whether they merely render obvious “use rules,” or both in the alternative. Compounding the ambiguity, Petitioner also argues that Ahmad's disclosure of time-limited rental restrictions teaches “use rules.” *Id.* at 53. With respect to how Ahmad's teachings would have been combined with Stefik, Petitioner argues the following:

A [person of ordinary skill in the art] would have been motivated and found it obvious to store the rental monitoring modules taught by Ahmad in the repository memory taught by Stefik that stores limitations on the content rights granted to a user, for example in descriptor files associated with content.

Id. at 53–54, n.24. Accordingly, it is not clear whether Petitioner is arguing that “use rules” is taught by Stefik (i.e., digital work rights), is rendered obvious by Stefik (i.e., a person of ordinary skill in the art would have been motivated to implement Stefik's digital work rights as rules), or is rendered obvious by the combination of Stefik and Ahmad (i.e., a person of ordinary skill in the art would have been motivated to implement Ahmad's rental monitoring on the DocuCard of Stefik). Nowhere does Petitioner explain any differences between the claimed invention and Stefik.

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Because Petitioner has not articulated sufficiently a difference between the claimed invention and Stefik or how any differences would be remedied by incorporating teachings from Ahmad, we are not persuaded that Petitioner has shown that it is more likely than not that claims 1, 2, 15, and 31 would have been obvious over the combination of Stefik '235, Stefik '980, and Ahmad.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable as obvious over Stefik '235, Stefik '980, and Ahmad. For the same reasons, Petitioner has not shown that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable as obvious over Stefik '235, Stefik '980, Ahmad, and Kopp.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 1, 2, 15, and 31 of the '598 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to claims 1, 2, 15, and 31 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review;

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FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above; the trial commencing on the entry date of this Decision; and

FURTHER ORDERED that Petitioner's Motion for Joinder is *denied*.

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Paper 49
Entered: August 24, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, SAMSUNG
ELECTRONICS AMERICA, INC., and GOOGLE INC.,

Petitioner,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00031²
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ANDERSON, *Administrative Patent Judge.*

DECISION

Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ "Petitioner" refers to Apple Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc, collectively.

² Petitioner Samsung's challenge to claims 5 and 10 of US Patent No. 8,336,772 B2 ("the '772 patent") in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Petitioner Google's challenge to claims 1, 5, and 10 of the '772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 37, 2-3 (claim 9 was initially consolidated with this case, but subsequently consolidated with another case).

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INTRODUCTION

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 1, 5, 8, and 10 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11) based upon Apple’s assertion that claims 1, 5, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2016, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On August 5, 2015, we consolidated Petitioner Samsung’s challenge to claims 5 and 10 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent

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ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, “Google Petition”). We consolidated Petitioner Google’s challenge to claims 1, 5, and 10 of the ’772 patent with this proceeding. Paper 31; Paper 37, 3 (claim 9 was initially consolidated with this case, but subsequently consolidated with another case); *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14).

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 1, 5, 8, and 10 of the ’772 patent are unpatentable. Paper 45 (“Final Dec.”), 4, 34. Smartflash requests rehearing of the Final Decision. Paper 46 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 47 (“Notice”). Petitioner filed a Response to Smartflash’s Notice. Paper 48 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

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ANALYSIS

Smartflash's Request is based on a disagreement with our determination that claims 1, 5, 8, and 10 ("the challenged claims") are directed to patent-ineligible subject matter. Req. Reh'g 4–5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5–10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party "specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash's arguments regarding *DDR Holdings*, Smartflash simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 16-25." Req. Reh'g 7 n.3. Similarly, in Smartflash's arguments regarding *Alice*, Smartflash simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-32" (*id.* at 11 n.4) and "[p]ursuant to

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37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 25; *see also id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10–12) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 16–25 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 42 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those

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arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 10–15) were addressed at pages 13–23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 23–25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7–10) were addressed at pages 17–21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and

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methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2³ as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 1, 5, 8, and 10 the claimed code performs generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 14–17; Notice Resp. 1–2. These limitations of claims 1, 5, 8, and 10 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6,

³ We note that U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

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*7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22–23 (citing Ex. 1215, Abstract, 10:24–30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

⁴ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2–3; Notice Resp. 2; PO Resp. 13; Final Decision 22–23.

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Paper 45
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, SAMSUNG
ELECTRONICS AMERICA, INC., and GOOGLE INC.,
Petitioner,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00031²
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, *Administrative Patent Judges.*

ANDERSON, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ “Petitioner” refers collectively to Petitioner Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc.

² Samsung’s challenge to claims 5 and 10 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google’s challenge to claims 1, 5, and 10 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 37, 2–3.

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INTRODUCTION

A. Background

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 1, 5, 8, and 10 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 1, 5, 8, and 10 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder (CBM2015-00059, Paper 11) seeking to consolidate its challenge to claims 5 and 10 with the covered business method patent review in CBM2015-

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00031.³ On August 5, 2015, we granted Samsung’s Petition and consolidated Samsung’s challenge to claims 5 and 10 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6⁴, “Google Petition”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with previously instituted Apple cases CBM2015-00031 and CBM2015-00032. CBM2015-00132 (Paper 10, “Google Mot.”). On December 1, 2015, we granted Google’s Petition and consolidated Google’s challenge to claims 1, 5, 9, and 10 of the ’772 patent with this proceeding.⁵ Paper 31; *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14). Google’s challenge to claims 14, 21, and 22 of the ’772 patent were consolidated with CBM2015-00032. *Id.* On December 16, 2015, we revised

³ Samsung’s Motion requested that: its challenge to claims 5 and 10 be consolidated with this case; its challenge to claim 14 be consolidated with CBM2015-00032; and its challenge to claims 26 and 32 be consolidated with CBM2015-00033. CBM2015-00032 and CBM2015-00033 were both filed by Apple and involve claims 14, 19, and 21, and claims 25, 26, 30, and 32, respectively, of the ’772 patent. Final Written Decisions in CBM2015-00032 and CBM2015-00033 are issued concurrently with this Decision.

⁴ We refer to the redacted version of the Petition.

⁵ For purposes of this Decision, we will cite only to Apple’s Petition and the record in CBM2015-00031.

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our institution order to consolidate Google’s challenge to claims 9 and 21 with CBM2015-00133, instead of with this proceeding and CBM2015-00032, respectively. Paper 37, 3.

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 43, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 5, 8, and 10 of the ’772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’772 Patent

The ’772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1201, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The ’772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the ’772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment information, validates that information, and downloads data into the portable

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storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The ’772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Illustrative Claims

Petitioner challenges claims 1, 5, 8, and 10 of the ’772 patent. Claims 1 and 8 are independent and claims 5 and 10 depend from claims 1 and 8, respectively. Claims 1 and 8 are reproduced below:

1. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for accessing a remote computer system;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;
 - a processor coupled to said non-volatile memory, said program store, said wireless interface and
 - a user interface to allow a user to select and play said multimedia content;
 - a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;wherein the processor control code comprises:
 - code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory;
 - code to receive said identifier data;

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code to present to a user on said display said identified one or more items of multimedia content available from the non-volatile memory;

code to receive a user selection to select at least one of said one or more of said stored items of multimedia content;

code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said at least one selected item of multimedia content; and

code to control access to said at least one selected item of multimedia content on said terminal responsive to said payment validation data,

wherein said user interface is operable to enable a user to select said at least one item of multimedia content available from said non-volatile memory; and

wherein said user interface is operable to enable a user to access said at least one selected item of multimedia content responsive to said code to control access permitting access to said at least one selected item of multimedia content.

Ex. 1201, 25:65–26:43.

8. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

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code to request identifier data identifying one or more content data items stored on the data carrier;

code to receive said identifier data;

code to present to a user via said user interface said identified one or more content data items available from the data carrier;

code to receive a user selection selecting at least one of said one or more of said stored content data items;

code responsive to said user selection of said selected content data item to transmit payment data relating to payment for said selected content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said content data item; and

code to control access to said selected content data item responsive to the payment validation data.

Ex. 1201, 27:15–41.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

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skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 1, 5, 8, and 10 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22–35. Petitioner submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1219.

According to Petitioner, claims 1, 5, 8, and 10 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 22–35. Smartflash argues that claims 1, 5, 8, and 10 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

⁷ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4–11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

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1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claims 1 and 5 recite a “handheld multimedia terminal” and claims 8 and 10 recite a “data access terminal,” which fall into the “machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793

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F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–1334 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 1, 5, 8, and 10 are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 23; *see id.* at 24–27. Although Smartflash does not concede, in its Patent Owner Response, that claims 1, 5, 8, and 10 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 15–25 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19–22 (Petitioner stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added), *id.* at 7:22–23 (Petitioner also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

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We are persuaded that claims 1, 5, 8, and 10 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 1 recites “code to receive payment validation data . . . for said at least one selected item of multimedia content.” Independent claim 8 recites “code to control access to said selected content data item responsive to the payment validation data.” Claim 5 depends from claim 1 and recites “code to retrieve supplementary data via said wireless interface and output said supplementary data to said user using said display.” Claim 10 depends from claim 8 and recites “said data access terminal is integrated with a mobile communications device and audio/video player.”

Furthermore, as discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:23–57. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61–2:3. The ’772 patent makes clear that the crux of the claimed subject matter is restricting access to stored content based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 1, 5, 8, and 10 are not limited to the Internet. Claim 1, from which claim 5 depends, recites “code to” perform various functions related to the abstract

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idea. Independent claim 1 recites, among other things, code to: “request identifier data,” “receive said identifier data,” “present to a user . . . multimedia content,” “receive a user selection . . . of multimedia content,” “responsive to said user selection . . . to transmit payment data relating to payment for . . . multimedia content,” “receive payment validation data . . . for said at least one selected item of multimedia content,” and “control access to said at least one selected item of multimedia content.”

Independent claim 8, from which claim 10 depends, recites code to “request identifier data,” “receive said identifier data,” “present to a user . . . one or more content items,” “receive a user selection . . . of said stored content data items,” “response to said user selection . . . to transmit payment data relating to payment for said selected content item for validation by a payment validation system,” “to receive payment validation data,” and “control access to said selected content data item responsive to the payment validation data.” The underlying concept of claims 1, 5, 8, and 10 particularly when viewed in light of the ’772 patent specification, is conditioning and controlling access to content based on, for example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’772 patent specification and the claim language, that each of claims 1, 5, 8, and 10 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to

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be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenged claims are either field of use limitations—limiting the ideas of payment and controlling access to content to payment for retrieving “data” and controlling access to content based on “payment data”—or generic computer implementations, which Petitioner argues is insufficient to bring the claims within § 101 patent eligibility. Pet. 27–32. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13–14.

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Petitioner persuades us that claims 1, 5, 8, and 10 of the '772 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 1, 5, 8, and 10 are field of use limitations and/or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 27–32; Reply 4–6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 27 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Petitioner for the following reasons.

The '772 patent specification treats as well-known all potentially technical aspects of claims 1, 5, 8, and 10, including “a wireless interface,” “non-volatile memory,” “a processor,” “a program store,” “a user interface,” “code” and “a display.” *See* Reply 11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may

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be Flash memory (Ex. 1201, 17:31–36), as found in a standard “smart Flash card” (*id.* at 17:15–24). *See also id.* at 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 18:16–20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” in claims 1 and 8 performs generic computer functions, such as requesting, receiving, , selecting, accessing, transmitting, displaying, identifying, storing, presenting, and controlling. Pet. 2–4; *see id.* at 29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 5, 8, and 10 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. *See* PO Resp. 25 (citation omitted). None of the challenged claims recite any particular or “distinct memories.” As noted above, the ’772 patent specification indicates that the required memories may be conventional types of memory. As noted above, the ’772 patent specification indicates that the required memories may be conventional types of memory. Ex. 1201, 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 17:15–24, 17:31–36, 18:16–20 (describing

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components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 1, 5, 8, and 10 also recite several conventional computer components, including a “data carrier,” “memory,” “program store,” “processor,” “code,” “interface,” and “display.” *See* Pet. 31. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’772 patent related to the way the recited components are constructed or used. As discussed above, the ’772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preambles of claims 8 and 10. Ex. 1201, 4:7–8. Other components specifically described as “conventional” include “a processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16–20.

In addition, because the recited elements can be implemented on a general purpose computer, claims 1, 5, 8, and 10 do not cover a “particular machine.” Pet. 35; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-

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transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 1, 5, 8, and 10 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 1, 5, 8, and 10 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 1, 5, 8, and 10 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1, 18 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and code to control access to the digital content that is responsive to payment validation data when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by allowing access to stored content only after payment validation data has been received to reduce risk of piracy or non-payment to content rights owners.

Id. at 17.

Petitioner responds that claims 1, 5, 8, and 10 are distinguishable from the claims in *DDR Holdings*. Reply 7–14. The *DDR Holdings* patent is

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directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

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We agree with Petitioner that claims 1, 5, 8, and 10 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 7–14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 1, 5, 8, and 10 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1201, 5:13–16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1219 ¶ 77); Ex. 1215, 1:13–23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try certain software programs in a limited time period without incurring a license fee.”) Furthermore, whatever the problem, the solution provided by the challenged claims are not rooted in specific computer technology, but is based on “controlling access [to content] based on payment or rules.” See Reply 9 (citing Ex. 1219 ¶¶ 31, 76–77; Ex. 1208, Abstract, 4:27–35).

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Even accepting Smartflash's assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 10–12. For example, claim 1 of the '772 patent recites code to, “request identifier data,” “receive said identifier data,” “present to a user . . . multimedia content,” “receive a user selection of . . . multimedia content,” “responsive to said user selection . . . to transmit payment data relating to payment for . . . multimedia content,” and “receive payment validation data . . . for said at least one selected item of multimedia content,” and “control access to said one selected item of multimedia content.” These limitations, and the other limitations of claims 1, 5, 8, and 10 do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258–59).

The claims at issue in *Ulramercial*, like claims 1, 5, 8, and 10, were also directed to distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 1, 5, 8, and 10, the *Ulramercial* claims condition and control access based on viewing an advertisement. *Ulramercial*, 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in claims 1, 5, 8, and 10 comprise this abstract concept of conditioning and controlling access to data,

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based on, for example, payment. *See id.* at 715. Adding routine computer functions such as “request identifier data;” “receive said identifier data;” “present to a user . . . multimedia content;” “receive a user selection of . . . multimedia content;” “transmit payment data relating to payment for . . . multimedia content;” and “receive payment validation data . . . for said at least one selected item of multimedia content;” and “control access to said one selected item of multimedia content” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access to said one selected item of multimedia content” does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 1, 5, 8, and 10 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 1, 5, 8, and 10, include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’772 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner. PO Resp. 13 (quoting Ex. 1201, 5:33–37). Referring to this disclosure, Smartflash argues that

By using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital

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content. By comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

PO Resp. 13–14.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1215, Abstract, 10:24–30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a

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particular type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 33), “underl[ying] *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 2, 25. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* at 25 (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’772 patent do not raise preemption concerns. *Id.* at 31–32.

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Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See Reply 14–17* (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is

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“sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 1, 5, 8, and 10 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash’s Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims 5 and 10, which depend from claims 1 and 8, under § 101 in its related district court litigation with Smartflash (PO Resp. 33–34); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the ’772 patent (*id.* at 34–35);

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(3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 35–37); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 37–39). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Smartflash’s reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 1, 5, 8, and 10 of the ’772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 1, 5, 8, and 10 of the ’772 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 34; *see* Reply 22–23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v.*

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Office of Senate Fair Employment Practices, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsoitigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 37 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 5, 8, and 10 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Petitioner filed an Opposition to Smartflash’s Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash’s Motion to Exclude seeks to exclude Exhibits 1202–1208, 1211–1219, 1224–1230, 1233, 1235, and 1236. Paper 29, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c).

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For the reasons stated below, Smartflash's Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Smartflash seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1–3; Paper 33, 1–2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash's characterization of the '772 patent in the complaint because the '772 patent itself is in evidence. Paper 29, 1–2. Moreover, according to Smartflash, its characterization of the '772 patent is irrelevant and, even if relevant, cumulative to the '772 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the '772 patent, but to show that Smartflash's characterization of the '772 patent supports Petitioner's contention that the '772 patent is a covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '772 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '772 patent in another proceeding is not in the '772 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '772 patent), but as evidence of how Smartflash has characterized the '772 patent. Thus, Smartflash has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore,

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Smartflash has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. Smartflash contends that Exhibit 1202 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 33, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–11).

Accordingly, we decline to exclude Exhibit 1202.

Exhibits 1205, 1224, 1229, 1230, 1233, and 1235

Smartflash seeks to exclude Exhibits 1205, 1224, 1229, 1230, 1233, and 1235 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3–4; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1205 (*see* Paper 32, 4 n.3) were cited in the Wechselberger Declaration as "Materials

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Reviewed and Relied Upon.” Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to FRE 703 in unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1224, 1229, 1230, 1233, and 1235. We grant the motion as to Exhibit 1205.

Exhibits 1203, 1204, 1206–1208, 1211–1218, 1225–1228, and 1236

Smartflash seeks to exclude Exhibits 1203, 1204, 1206–1208, 1211–1218, 1225–1228, and 1236 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5–8; Paper 33, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 32, 4–6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are

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irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash’s argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206–1208, 1211–1218, 1225–1228, and 1236.

Exhibit 1219

Smartflash moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8–11; Paper 33, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8–9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Paper 29, 10–11; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 7 (citation omitted). Petitioner

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further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 28–68 and 69–96 from the declaration. Paper 29, 11–12.

Paragraphs 28–68 of the Wechselberger Declaration

Paragraphs 28-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11.

Petitioner counters that Mr. Wechselberger's expert analysis of the prior art is relevant to the § 101 inquiry under FRE 401; what would be

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considered well-known, routine, and conventional; and “[p]atent eligibility under § 101 presents an issue of law [that] may contain underlying factual issues.” Paper 32, 8 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 69–96 of the Wechselberger Declaration

Paragraphs 69-96 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Petitioner counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues, including what is well known, routine and conventional; and FRE 602 does not apply to a witness’s expert testimony. Paper 32, 8–9 (citations omitted).

We are not persuaded by Smartflash’s arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1219 ¶¶ 2–12, App’x A. We are, therefore, not persuaded by Smartflash’s argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it “does not apply to a witness’s expert testimony under Rule

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703.” Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1219 ¶¶ 76–85, 88–89), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1219 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 1, 5, 8, 10 of the ’772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 11
Entered: May 28, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00031
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

ANDERSON, *Administrative Patent Judge*.

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx355

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I. INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Corrected Petition requesting covered business method patent review of claims 1, 5, 8, and 10 (the “challenged claims”) of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ (Paper 5, “Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. (Paper 8, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method patent review of claims 1, 5, 8, and 10 of the ’772 patent.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds (Pet. 17):

References	Basis	Claims Challenged
Not Applicable	§ 101	1, 5, 8, and 10
Ginter ² , Subler, ³ and Poggio ⁴	§ 103	1, 5, 8, and 10

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

² U.S. Patent No. 5,915,019 (Ex. 1214) (“Ginter”).

³ U.S. Patent No. 5,646,992 (Ex. 1236) (“Subler”).

⁴ European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1215) (“Poggio”).

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References	Basis	Claims Challenged
Ginter, Subler, Poggio, and Sato ⁵	§ 103	1, 5, 8, and 10

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1219.

C. Related Matters

Petitioner indicates that the '772 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 15–16; Paper 9, 2. Patent Owner also indicates that the '772 patent is the subject of a two other district court cases: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC, et al. v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.), all pending in the U.S. District Court for the Eastern District of Texas. Paper 10, 4–5.

Petitioner previously filed two Petitions for covered business method patent review of the '772 Patent: CBM2014-00110 and CBM2014-00111. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00110, slip op. at 19 (PTAB Sept. 30, 2014) (Paper 7); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00111, slip op. at 22 (PTAB Sept. 30, 2014) (Paper 7). Several related patents, which claim priority back to a common series of applications, are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Petitioner. Paper 10, 3–4.

⁵ JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1217) (“Sato”).

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Petitioner filed concurrently another two Petitions for covered business method patent review of the '772 patent: CBM2015-00032 and CBM2015-00033. *Id.* at 4. In addition, Petitioner concurrently filed two other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner, which disclose similar subject matter: CBM2015-00028 and CBM2015-00029. *Id.*

D. The '772 Patent

The '772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1201, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the '772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways.

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See, e.g., id. at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Illustrative Claims

As noted above, Petitioner challenges claims 1, 5, 8, and 10. Claims 1 and 8 are independent and claims 5 and 10 depend respectively from claims 1 and 8. Claims 1 and 8 are illustrative of the claimed subject matter and are reproduced below:

1. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for accessing a remote computer system;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;
 - a processor coupled to said non-volatile memory, said program store, said wireless interface and
 - a user interface to allow a user to select and play said multimedia content;
 - a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;wherein the processor control code comprises:
 - code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory;
 - code to receive said identifier data;
 - code to present to a user on said display said identified one or more items of multimedia content available from the non-volatile memory;

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code to receive a user selection to select at least one of said one or more of said stored items of multimedia content;

code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said at least one selected item of multimedia content; and

code to control access to said at least one selected item of multimedia content on said terminal responsive to said payment validation data,

wherein said user interface is operable to enable a user to select said at least one item of multimedia content available from said non-volatile memory; and

wherein said user interface is operable to enable a user to access said at least one selected item of multimedia content responsive to said code to control access permitting access to said at least one selected item of multimedia content.

Ex. 1201, 25:65–26:43.

8. A data access terminal for controlling access to one or

more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items stored on the data carrier;

code to receive said identifier data;

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code to present to a user via said user interface said identified one or more content data items available from the data carrier;

code to receive a user selection selecting at least one of said one or more of said stored content data items;

code responsive to said user selection of said selected content data item to transmit payment data relating to payment for said selected content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said content data item; and

code to control access to said selected content data item responsive to the payment validation data.

Ex. 1201, 27:15–41.

II. ANALYSIS

A. Claim Construction

While Petitioner presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

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1. Financial Product or Service

Petitioner asserts that claim 8 “explicitly describes transmitting payment data to a payment validation system, receiving payment validation, and controlling access to data based on payment[and thus] clearly concerns a computer system (corresponding to methods discussed in the patent) for performing data processing and other operations used in the *practice, administration, or management of a financial activity and service.*” Pet. 11 (emphasis in Petition). Based on this record, we agree with Petitioner that the subject matter recited by claim 8 is directed to activities that are financial in nature, namely data access conditioned on payment validation.

Claim 8 recites “code . . . to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system,” “code to receive payment validation data defining if said payment validation system has validated payment for said content data item,” and “code to control access to said selected content data item responsive to the payment validation data.” We are persuaded that payment validation is a financial activity, and controlling access based on payment validation amounts to a financial service. This is consistent with the Specification of the ’772 patent, which confirms claim 8’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1201, 1:24–25. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1201, 1:62–2:3, 6:64–7:1, 20:59–63.

Patent Owner disagrees that claim 8 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be

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interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–11. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 8 is not directed to an apparatus or method that is financial in nature because claim 8 “omits the specifics of how payment is made.” Prelim. Resp. 10. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that imposes such a requirement. *Id.* We determine that because claim 8 recites payment data and controlling access to content based on such payment data,

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as Patent Owner acknowledges (*id.*), the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '772 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 8 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 11–15. In particular, Petitioner argues that claim 8 "does not claim 'subject matter as a whole [that] recites *a technological feature that is novel and unobvious over the prior art[] and solves a technical problem using a technical solution.*'" Pet. 11 (quoting 37 C.F.R. § 42.301(b)) (emphases in Petition). Patent Owner disagrees and argues that claim 8, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 11–12.

We are persuaded that claim 8 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 8 recites only features such as "user interface," "data carrier interface," "program store," "processor," and "code."

In addition, the '772 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the '772 patent states that "there is an urgent need to find a way to address the problem of data piracy," (*id.* at 1:56–58) while acknowledging that the "physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety

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of forms” (*id.* at 12:37–40). Thus, we determine that claim 8 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 8 falls within § 18(d)(1)’s exclusion for “technological invention” because it is directed to solving the technological problem of “controlling access to a selected content data item responsive to the payment validation data, e.g., as part of a convenient, legitimate acquisition of data from a data supplier.” Prelim. Resp. 11. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 8 is a business problem—data piracy. Pet. 14–15. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1201, 2:14–19. Therefore, based on the particular facts of this proceeding, we conclude that claim 8 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’772 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent review program.

C. Statutory Subject Matter

Petitioner challenges claims 1, 5, 8, and 10 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22–35. Patent Owner does not address the merits of this challenge. *See* Prelim. Resp. 14–17.

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Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 24–35. Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of paying for and/or controlling access to content. *Id.* at 23.

We agree with Petitioner that, on this record, the challenged claims of the '772 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “handheld multimedia terminal” (claims 1 and 5) or a “data access terminal” (claims 8 and 10) under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas

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from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

Petitioner contends that each challenged claim is drawn to the concept of controlling access based on payment, a “well-known ‘building block of the modern economy’ and a longstanding ‘method of organizing human activity’ long pre-dating the ’772 patent.” Pet. 26 (citing Ex. 1219 ¶¶ 75–77; Ex. 1208 4:27–35; Ex. 1225 Abstract; Ex. 1216 Abstract, Fig. 1). As discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:33–58. The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:62–2:7. The ’772 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 2:8–19. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at

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2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules. to be completed upon the occurrence of an event” (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’772 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Petitioner contends that because the “challenged claims are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added (*Mayo*, 132 S. Ct. at 1294) they are unpatentable.” Pet. 27. On this record, we are not persuaded that the recited limitations of the challenged claims, which include, for example, “wireless interface,” “non-volatile memory,” “program store,” “processor,” “display,” “user interface,” “data carrier interface,” and “code” perform functions that are anything other than “purely conventional.” *See Alice*, 134 S. Ct. at 2359. Thus, on this record, we are not persuaded that any of the allegedly technical limitations viewed “both individually and ‘as an ordered combination,’”

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transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297, 1298).

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 1, 5, 8, and 10 are unpatentable under 35 U.S.C. § 101.

Patent Owner argues that Petitioner’s assertion of this ground is untimely because Petitioner “provides no valid reason why it did not raise this purely legal issue as grounds for invalidity in its two prior petitions filed long before [the instant Corrected P]etition.” Prelim. Resp. 15.

According to Patent Owner,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its April 3, 2014 petitions encourages Apple’s piecemeal invalidity challenges to Patent Owner’s patent claims and runs afoul of the [Board’s] charge to ‘secure the just, speedy, and inexpensive resolution’ of Apple’s covered business method challenges to the ‘772 Patent.

Id. at 16. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court’s June 19, 2014 decision in *Alice* was decided after Petitioner’s original petitions were filed in March 2014. *Id.* at 15–16. Thus, on this record, we are not persuaded that Petitioner’s assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Petitioner has established that it is more likely than not that claims 1, 5, 8, and 10 of the ‘772 patent are unpatentable under 35 U.S.C. § 101.

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D. Obviousness Challenges

Petitioner argues that claims 1, 5, 8, and 10 are unpatentable under 35 U.S.C. § 103(a) as obvious over: Ginter, Subler, and Poggio; and Ginter, Subler, Poggio, and Sato. Pet. 17, 41–78.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it would prevail in showing that claims 1, 5, 8, and 10 are unpatentable as obvious over any of the proposed obviousness combinations identified above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 35–78. Petitioner also has not shown that any of the individual references anticipate the challenged claims. Thus, it is unclear how

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Petitioner proposes that we do a proper *Graham* analysis to determine that the challenged claims are unpatentable.

We cannot ascertain from the Petition, including claim charts and the numerous attending footnotes, which disclosure of which prior art reference Petitioner is referring to as teaching or suggesting each limitation and why such disclosure satisfies the limitation. With respect to independent claim 1, for example, Petitioner cites Ginter for each claim limitation. Pet. 42–69. At the same time, Petitioner cites Sato, Poggio, or Subler for almost half the limitations of claim 1. *Id.* With respect to the recited “code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory,”⁶ in claim 1, for example, Petitioner cites a number of portions of Ginter, as well as portions of Subler. *See id.* at 47–50. Petitioner does not allege directly that Ginter alone teaches or renders obvious each limitation, yet, as noted above, Petitioner cites Ginter for each claim limitation. At the same time, Petitioner proposes combining a number of features from Subler, Poggio, and/or Sato with the teachings of Ginter. *See, e.g., id.* at 44 n.14, 50–51 n.16, 58 n.21, 62–63, n.23, 65 n.26, 66 n.27.

Petitioner’s analysis prevents us from determining what specific teaching is lacking in Ginter (i.e., the differences between the claimed subject matter and Ginter). *See Graham*, 383 U.S. at 17–18. For example, with respect to claim 1’s limitation “code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia

⁶ Claim 8, the other independent claim, includes a similar limitation, i.e., “identifying one or more content data items” in lieu of identifying items of “multimedia content.” Petitioner refers to its analysis with respect to claim 1 for this limitation of claim 8. Pet. 77.

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content via said wireless interface for validation by a payment validation system,” Petitioner identifies Ginter’s Virtual Distribution Environment (“VDE”) and the audit information. Pet. 55–58. In addition, Petitioner argues that “[t]o the extent it is argued that Ginter’s transmitting of audit information does not necessarily reflect payment for a currently requested VDE content object, Ginter at a minimum renders this obvious. *Id.* at 57–58. Petitioner also alleges that Poggio discloses transmitting payment data. *Id.* at 58–59. Petitioner further contends that it would have been obvious to “implement Ginter’s VDE environment using the purchase process teachings of Poggio because Ginter expressly touts the VDE environment’s ability to be adapted to mirror traditional commercial relationships like that of Poggio, where a consumer transmits payment data (*e.g.*, credit card number) to a payment validation system in order to purchase a product.” *Id.* at 58 n.21.

Nowhere does Petitioner explain any differences between the claimed invention and Ginter. As a result, it is not clear whether Petitioner is alleging that certain claim limitations are taught by Ginter, rendered obvious by Ginter, taught by Subler, Poggio, and/or Sato, or rendered obvious in view of Ginter, Subler, Poggio, and/or Sato. Given this ambiguity in the Petition, we cannot ascertain which reference to rely on for any given limitation or why a person of ordinary skill in the art would have found it obvious to combine that particular disclosed subject matter with the subject matter disclosed by the other references.

We are, thus, not persuaded that Petitioner has shown that it is more likely than not that claim 1 would have been obvious over the combination of Ginter, Subler, and Poggio, or the combination of Ginter, Subler, Poggio, and Sato. For the same reasons, we are not persuaded that Petitioner has

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shown more likely than not that claims 5, 8, and 10 would have been obvious over the combination of of Ginter, Subler, and Poggio, or the combination of Ginter, Subler, Poggio, and Sato.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 1, 5, 8, and 10 are unpatentable as obvious over: Ginter, Subler, and Poggio; or Ginter, Subler, Poggio, and Sato.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 1, 5, 8, and 10 of the '772 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to claims 1, 5, 8, and 10 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above, the trial commencing on the entry date of this Decision.

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Patent 8,336,772 B2

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Paper 13
Entered: August 5, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00059
Patent 8,336,772

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

ELLURU, *Administrative Patent Judge*.

DECISION
Institution of Covered Business Method Patent Review and
Grant of Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

CBM2015-00059
Patent 8,336,772

I. INTRODUCTION

Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (“Samsung” or “Petitioner Samsung”) filed a Petition requesting covered business method patent review of claims 5, 10, 14, 26, and 32 (the “challenged claims”) of U.S. Patent No. 8,336,772 (Ex. 1001, “the ’772 patent”) (“Pet.,” Paper 2). On May 11, 2015, Smartflash LLC (“Patent Owner”), filed a Preliminary Response (“Prelim. Resp.,” Paper 10).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Concurrently with its Petition, Samsung filed a first Motion for Joinder (Paper 3, 1), seeking to consolidate this case with earlier filed petitions for covered business method patent reviews of the ’772 patent, CBM2014-00200 and CBM2014-00204. Both of these petitions were denied. *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2014-00200 (PTAB March 30, 2015) (Paper 9, 17); *see also* Paper 10, 7 (denying request for rehearing); *Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. v. Smartflash LLC*, Case CBM2014-00204 (PTAB March 30, 2015) (Paper 9, 28); *see also id.* at Paper 12, 6 (denying request for rehearing). Thus, Samsung’s first Motion for Joinder is moot.

Samsung filed a second Motion for Joinder (“Mot.,” Paper 11), seeking to consolidate this petition with each of the covered business method patent reviews in *Apple Inc. v. Smartflash, LLC*, CBM2015-00031, 00032, and 00033 (collectively, the “Apple CBM Proceedings,” and “Petitioner Apple” when the Petitioner in those reviews is referenced), which were

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instituted on May 28, 2015. *See* CBM2015-00031 (Paper 11, 19) (instituting review of claims 1, 5, 8, and 10 of the '772 patent under 35 U.S.C. § 101); CBM2015-00032 (Paper 11, 18) (instituting review of claims 14, 19, and 22 of the '772 patent under 35 U.S.C. § 101); and CBM2015-00033 (Paper 11, 19) (instituting review of claims 25, 26, 30, and 32 of the '772 patent under 35 U.S.C. § 101). Smartflash filed an Opposition to Samsung's second Motion for Joinder. Paper 12 ("Opp.").

For the reasons explained below, we institute a covered business method patent review of claims 5, 10, 14, 26, and 32 of the '772 patent and grant Samsung's second Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND AS THOSE ASSERTED IN THE APPLE CBM PROCEEDINGS

In view of the identity of the challenges in the instant Petition and those of the institutions in each of CBM2015-00031, CBM2015-00032, and CBM2015-00033, we determine that it is more likely than not that Samsung will prevail in demonstrating that the claims challenged in Samsung's present petition are unpatentable. We previously have determined that the '772 patent is a "covered business method patent." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2015-00031, Paper 11, 7–11 (determining that the '772 patent is eligible for covered business method patent review based on claim 8); CBM2015-00032, Paper 11, 6–10 (determining that the '772 patent is eligible for covered business method patent review based on claim 19); CBM2015-00033, Paper 11, 7–11 (determining that the '772 patent is eligible for covered business method patent review based on claim 30). Smartflash argues that in the present petition, Samsung "has cited claim

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10 (which depends from claim 8) as being the basis for requesting that a covered business method reviews be instituted” and argues that “claim 10 is not a proper basis for instituting a CBM review.” Prelim. Resp. 47–48; *see also* Prelim. Resp. 48–55 (arguing that claim 10 does not recite a financial product or service). We need not address the merits of Smartflash’s argument with respect to claim 10 because we have previously determined that the ’772 patent contains at least one claim that is eligible for covered business method patent review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8) (A patent need have only one claim directed to a covered business method to be eligible for review). We further note that Samsung refers to claim 8 in its discussion of the ’772 patent’s eligibility for review. Pet. 8.

Moreover, Samsung’s Petition challenges a subset of the claims based upon the same ground, 35 U.S.C. § 101, for which we instituted covered business method patent reviews in each of the Apple CBM proceedings. Mot. 3. Specifically, Samsung challenges claims 5, 10, 14, 26, and 32. Pet. 1; Mot. 3. In CBM2015-00031, our institution included a review of claims 5 and 10 under § 101. Paper 11, 19. In CBM2015-00032, our institution included a review of claim 14 under § 101. Paper 11, 18. In CBM2015-00033, our institution included a review of claims 26 and 32 § 101. Paper 11, 19.

We have reviewed Smartflash’s present preliminary response and are not persuaded that we should deny institution of the present petition. For example, in support of its argument that the challenged claims are directed to

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statutory eligible subject matter, Smartflash relies heavily on *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), a decision that issued before we instituted each of the Apple CBM proceedings. *See* Prelim. Resp. at 6–28. Smartflash also argues that the challenged claims do not result in inappropriate preemption (Prelim. Resp. 27–41) and that “there are numerous non-infringing alternatives” (Prelim. Resp. 30). The Federal Circuit, however, has recently acknowledged that “questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, __F.3d__, 2015 WL 3634649, at *7 (Fed. Cir. June 12, 2015). The Federal Circuit further stated,

While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility. In this case, Sequenom’s attempt to limit the breadth of the claims by showing alternative uses of cffDNA outside of the scope of the claims does not change the conclusion that the claims are directed to patent ineligible subject matter. Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the Mayo framework, as they are in this case, preemption concerns are fully addressed and made moot.

Id. (emphasis added).

Accordingly, we institute a covered business method patent review in this proceeding on the same ground, namely § 101, as that on which we instituted in the Apple CBM proceedings for claims 5, 10, 14, 26, and 32 of the ’772 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

Smartflash opposes Samsung’s request to consolidate the present petition with the Apple CBM proceedings. Paper 12. Smartflash opposes

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Patent 8,336,772

consolidation for the following reasons: “(i) it is too late for the proposed joinder to provide the purported efficiencies Petitioner suggests; (ii) the cases are sufficiently different in terms of proffered exhibits and witnesses to gain any advantage by joinder; and (iii) the Board should exercise its discretion under 35 U.S.C. § 325(d) and decline to institute a covered business method patent review of claims 5, 10, 14, 26, and 32 of U.S. Patent 8,336,772 on 35 U.S.C. § 101 grounds in CBM2015-00059 because it has already instituted covered business method review of those claims on the same grounds in CBM2015-00031, -00032, and -00033.” *Id.* at 1–2. We are not persuaded by Smartflash’s argument.

Smartflash contends that it is too late for the proposed consolidation to provide efficiencies because the Apple CBM proceedings have proceeded through Patent Owner discovery with Patent Owner’s Response being filed on July 29, 2015, the same day the present Opposition was filed, and Samsung’s proposed schedule for consolidation is “impractical.” *Opp.* 3–4. To address this concern, however, we determine that the Scheduling Order in place for CBM2015-00031, CBM2015-00032, and CBM2015-00033 shall govern the consolidated proceedings.

Smartflash next argues that there is not complete overlap in exhibits and witnesses relied upon by Samsung and the record in the Apple CBM proceedings. *Id.* at 5–6. Thus, contends Smartflash, “[consolidation] would force Patent Owner to respond to different sets of evidence simultaneously, on a compressed schedule, and in more limited space.” *Id.* at 6. However, in the event we do not “grant joinder of the arguments articulated in the Samsung Petition and accompanying evidence, Samsung alternatively . . . accepts that the Board would, in that case, proceed on the basis of argument

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and evidence presented by Apple Inc. (“Apple”) in the Apple CBM Proceedings.” Mot. 11–12. To address Smartflash’s concerns, trial will proceed on the basis of the argument and evidence presented by Petitioner Apple in each of the Apple CBM proceedings without submission of additional evidence from Petitioner Samsung. Any additional evidence, papers, and briefing filed on behalf of Petitioner Apple and Petitioner Samsung in the consolidated proceedings shall be filed by Petitioner Apple, as a consolidated filing, unless we provide authorization otherwise, as noted below.

Lastly, Smartflash argues that we should exercise our discretion under 35 U.S.C. § 325(d) by declining to institute a review in the instant case because we have already instituted review of the same challenged claims “on the same purely legal § 101 grounds in” the Apple CBM proceedings. Opp. 6–7. We decline to exercise our discretion under § 325(d) because we consolidate these proceedings based on the same schedule, evidence, and argument proffered in the Apple CBM proceedings. With respect to Smartflash’s assertion that Samsung already sought review of the challenged claims on § 101 grounds in CBM2014-00204 and we declined to institute a review (*id.* at 7), we are persuaded by Samsung’s explanation that the listing of a § 101 challenge in a table in the CBM2014-000204 corrected petition was a clerical error (Paper 8, 1–2).

As noted above, we instituted the Apple CBM proceedings on May 28, 2015. Samsung filed the instant petition on January 15, 2015, and its Second Motion for Joinder was filed on Monday, June 29, 2015. Mot. 13. Thus, Samsung’s request satisfies the requirement that the consolidation request be made no later than one month after the institution date of the

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Apple CBM proceedings. *See* 35 U.S.C. § 325(c) and 37 C.F.R. §§ 42.22 and 42.222(b); Fed. R. Civ. P. 6(a).

As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is a challenge to claims 5, 10, 14, 26, and 32 of the '772 patent based on § 101. Samsung, thus, does not assert any new ground of unpatentability that is not already being considered in the Apple CBM proceedings. Mot. 6–7.

Under the circumstances, we conclude Samsung has demonstrated that consolidation will not unduly complicate or delay the Apple CBM proceedings, and therefore, we grant Samsung's second Motion for Joinder to consolidate this proceeding with each of the Apple CBM proceedings, CBM2015-00031, CBM2015-00032, and CBM2015-00033, as follows. We consolidate Samsung's challenge to claims 5 and 10 based on § 101 to CBM2015-00031, Samsung's challenge to claim 14 based on § 101 to CBM2015-00032, Samsung's challenge to claims 26 and 32 based on § 101 to CBM2015-00033. All filings in the consolidated proceedings will be made by Petitioner Apple in each of the Apple CBM proceedings. Petitioner Samsung shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Petitioner Samsung shall not seek any additional discovery beyond that sought by Petitioner Apple.

Petitioner Apple and Petitioner Samsung shall resolve any disputes between them concerning the conduct of the consolidated proceedings and shall contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation.

CBM2015-00059
Patent 8,336,772

In consideration of the above, we institute a covered business method patent review in CBM2015-00059 and grant Petitioner's Samsung's motion to consolidate this proceeding with each of the Apple CBM proceedings as stated above.

IV. ORDER

Accordingly, it is

ORDERED that challenges to claims 5, 10, 14, 26, and 32 in CBM2015-00059 is instituted;

FURTHER ORDERED that Samsung's challenge to claims 5 and 10 based on § 101 is consolidated with CBM2015-00031;

FURTHER ORDERED that Samsung's challenge to claim 14 based on § 101 is consolidated with CBM2015-00032;

FURTHER ORDERED that Samsung's challenge to claims 26 and 32 based on § 101 is consolidated with CBM2015-00033;

FURTHER ORDERED that the grounds on which CBM2015-00031, CBM2015-00032, and CBM2015-00033 were instituted are unchanged, and no other grounds are instituted in the consolidated proceeding;

FURTHER ORDERED that the Scheduling Order in place for CBM2015-00031, CBM2015-00032, and CBM2015-00033 shall govern the consolidated proceedings;

FURTHER ORDERED that the record in each of the Apple CBM proceedings will remain unchanged;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Petitioner Apple, as a single, consolidated filing on behalf of

CBM2015-00059
Patent 8,336,772

Petitioner Apple and Petitioner Samsung, and Petitioner Apple will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Petitioner Apple will conduct cross-examination and other discovery on behalf of Petitioner Apple and Petitioner Samsung and that Patent Owner is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00059 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceedings are to be made in each of CBM2015-00031, CBM2015-00032, and CBM2015-00033;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2015-00031, CBM2015-00032, CBM2015-00033, and CBM2015-00059; and

FURTHER ORDERED that the case caption in each of CBM2015-00031, CBM2015-00032, and CBM2015-00033 shall be changed to reflect consolidation with this proceeding in accordance with the attached examples.

CBM2015-00059
Patent 8,336,772

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
SAMSUNG ELECTRONICS LTD, and
SAMSUNG ELECTRONICS AMERICA, INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00031¹
Patent 8,336,772

¹ Challenge to claims 5 and 10 based on 35 U.S.C. § 101 in CBM2015-00059 has been consolidated with this proceeding.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
SAMSUNG ELECTRONICS LTD, and
SAMSUNG ELECTRONICS AMERICA, INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00032¹
Patent 8,336,772

¹ Challenge to claim 14 based on 35 U.S.C. § 101 in CBM2015-00059 has been consolidated with this proceeding.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
SAMSUNG ELECTRONICS LTD, and
SAMSUNG ELECTRONICS AMERICA, INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00033¹
Patent 8,336,772

¹ Challenge to claims 26 and 32 based on 35 U.S.C. § 101 in CBM2015-00059 has been consolidated with this proceeding.

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Paper 14
Entered: December 1, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00132
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

CBM2015-00132
Patent 8,336,772 B2

I. INTRODUCTION

Google Inc. (“Google” or “Petitioner Google”) filed a corrected Petition requesting covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 (the “challenged claims”) of U.S. Patent No. 8,336,772 B2 (Ex. 1001, “the ’772 patent”) (“Pet.,” Paper 6, 1¹). Smartflash LLC (“Smartflash”) filed a Preliminary Response (“Prelim. Resp.,” Paper 13).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

On June 29, 2015, Google filed a Motion for Joinder (“Mot.,” Paper 10), seeking to consolidate this case with earlier-filed petitions for covered business method patent reviews of the ’772 patent in *Apple Inc. v. Smartflash, LLC*, CBM2015-00031 and CBM2015-00032 (collectively, the “Apple CBM Proceedings,” and “Petitioner Apple” when the Petitioner in those reviews is referenced), which were instituted on May 28, 2015. See *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00031, slip. op. at 19–20 (PTAB May 28, 2015) (Paper 11) (instituting review of claims 1, 5, 8, and 10 of the ’772 patent under 35 U.S.C. § 101); and *Apple Inc. v. Smartflash*,

¹ Google filed two versions of the corrected Petition: Paper 7, which is sealed and accessible to the parties and Board only, and Paper 6, which is a public version of the corrected Petition containing a small portion of redacted text. For purposes of this Decision, we refer only to the public version of the corrected Petition. Pursuant to 37 C.F.R. § 42.55, Google’s motion to seal (Paper 4) the un-redacted Petition (Paper 7) is granted upon institution.

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LLC, Case CBM2015-00032, slip. op. at 18–19 (Paper 11) (instituting review of claims 14, 19, and 22 of the '772 patent under 35 U.S.C. § 101).

Smartflash filed an Opposition to Google's Motion for Joinder. ("Opp.," Paper 11). Google also filed a Reply in Support of its Motion for Joinder. ("Reply," Paper 12).

For the reasons explained below, we institute a covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the '772 patent and grant Google's Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUNDS AS INSTITUTED IN THE APPLE CBM PROCEEDINGS

In view of the identity of the challenges in the instant Petition and those of the institutions in each of CBM2015-00031 and CBM2015-00032, we determine that it is more likely than not that Google will prevail in demonstrating that the claims challenged in Google's present petition are unpatentable.

Smartflash reiterates arguments in support of its position that the '772 patent is ineligible for covered business method patent. *See* Prelim. Resp. 49–58. We previously have determined that the '772 patent contains at least one claim that is eligible for covered business method patent review. AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2015-00031, Paper 11, 7–10 (determining that the '772 patent is eligible for covered business method patent review based on claim 8); CBM2015-00032, Paper 11, 6–10 (determining that the '772 patent is eligible for covered business method patent review based on claim 19); *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00033, slip. op. at 7–11 (PTAB May 28, 2015 (Paper 11))

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(determining that the '772 patent is eligible for covered business method patent review based on claim 30).

In the present petition, Google contends that claim 21 renders the '772 patent eligible for a covered business method patent review. Pet. 4–10. Smartflash disagrees. Prelim. Resp. 49–58. We need not address the merits of Smartflash's argument with respect to claim 21 because we have previously determined that the '772 patent contains at least one claim that is eligible for covered business method patent review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8) (A patent need have only one claim directed to a covered business method to be eligible for review).

Google's Petition challenges a subset of the claims based upon the same ground, 35 U.S.C. § 101, for which we instituted covered business method patent reviews in each of the Apple CBM proceedings, and challenges for the first time claims 9 and 21, which depend from claims 8 and 19, respectively, and recite the same additional limitation, based upon the same ground. Mot. 2–3. Specifically, Google challenges claims 1, 5, 9, 10, 14, 21, and 22. Pet. 1; Mot. 2–3. In CBM2015-00031, our institution included a review of claims 1, 5, 8, and 10 under § 101. Paper 11, 19–20. In CBM2015-00032, our institution included a review of claims 14, 19, and 22 under § 101. Paper 11, 18–19. Based upon our review of the Petition, we are persuaded that it is more likely than not that claims 9 and 21 also are unpatentable under § 101.

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Smartflash’s arguments in the present preliminary response do not alter our determinations in the previous Apple proceedings. For example, Smartflash again argues that AIA § 18(d)(1) should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 51–56. The Federal Circuit has expressly determined, however, that “the definition of ‘covered business method patent’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions, such as banks and brokerage houses.” *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015). Rather, “it covers a wide range of finance-related activities.” *Id.*

Furthermore, we have reviewed Smartflash’s present preliminary response and are not persuaded that we should deny institution of the present petition. For example, in support of its argument that the challenged claims are directed to statutory eligible subject matter, Smartflash relies heavily on *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), a decision that we determine, at this point in the proceeding, is not relevant to the claims challenged here. *See* Prelim. Resp. at 15–31. Smartflash also argues that the challenged claims do not result in inappropriate preemption (Prelim. Resp. 31–43) and alleges that “[t]he existence of a large number of non-infringing alternatives shows that the claims of the ’772 Patent do not raise preemption concerns” (Prelim. Resp. 36). The Federal Circuit, however, has recently acknowledged that “questions on preemption are inherent in and resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). The Federal Circuit further stated,

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While preemption may signal patent ineligible subject matter, *the absence of complete preemption does not demonstrate patent eligibility*. In this case, Sequenom’s attempt to limit the breadth of the claims by showing alternative uses of cffDNA outside of the scope of the claims does not change the conclusion that the claims are directed to patent ineligible subject matter. *Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the Mayo framework, as they are in this case, preemption concerns are fully addressed and made moot.*

Id. (emphasis added).

Smartflash further asserts that (1) section 101 is not a ground that may be raised in a covered business method patent review (Prelim. Resp. 44–46); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 46–47); and (3) invalidating patent claims via covered business method patent review is unconstitutional (*id.* at 47–48). For the following reasons, we are not persuaded by these arguments.

As an initial matter, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 44 n.1 (quoting *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015)). We conclude that our review of the issue of § 101 here is proper.

Next, Smartflash does not provide any authority for its assertion that “[t]he question of whether the challenged claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” *Id.* at 46.

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Smartflash also argues that invalidating patent claims via covered business method patent review “violates the Separation of Powers doctrine of the United States Constitution” (*id.* at 47). We decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

Accordingly, we institute a covered business method patent review in this proceeding on the same ground, namely § 101, as that on which we instituted in the Apple CBM proceedings for claims 1, 5, 9, 10, 14, 21, and 22 of the ’772 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

Smartflash opposes Google’s request to consolidate the present petition with the Apple CBM proceedings. Paper 11. Smartflash opposes consolidation for the following reasons: “(i) it is too late for the proposed joinder to provide the purported efficiencies Petitioner suggests; (ii) the cases are sufficiently different in terms of proffered exhibits and witnesses to

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gain any advantage by joinder; and (iii) the Board should exercise its discretion under 35 U.S.C. § 325(d) and decline to institute a covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of U.S. Patent 8,336,772 on 35 U.S.C. § 101 grounds in CBM2015-00132 because it has already instituted covered business method review of on the same grounds of claims 1, 5, 10, 14, and 22, as well as on claims 8 and 19, from which 9 and 22 depend, in CBM2015-0031 and -00032.” *Id.* at 1.

We are not persuaded by Smartflash’s arguments. Smartflash contends that it is too late for the proposed consolidation to provide efficiencies because the Apple CBM proceedings have proceeded through Patent Owner discovery with Patent Owner’s Response being filed on July 29, 2015, and Google’s proposed schedule for consolidation is “impractical.” *Opp.* 2–3. To address this concern, however, we determine that the Scheduling Orders in place for CBM2015-00031 and CBM2015-00032 shall govern the consolidated proceedings. *See Reply 2.* Smartflash next argues that there is not complete overlap in exhibits and witnesses relied upon by Google and the record in the Apple CBM proceedings. *Id.* at 4–5. Thus, contends Smartflash, “[consolidation] would force Patent Owner to respond to different sets of evidence simultaneously, on a compressed schedule, and in more limited space.” *Id.* at 5.

However, Google acknowledges that to the extent we determine that “incorporating Google’s arguments and evidence in the Apple CBMs would complicate the schedules, Google requests [consolidation] as to Apple’s petitions so that Google can, at minimum, ensure that the proceedings on the challenged claims continue in the event Apple settles or otherwise terminates the proceedings.” *Mot.* 9–10; *see Reply 2–3.* To address

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Smartflash's concerns, trial will proceed on the basis of the argument and evidence presented by Petitioner Apple in each of the Apple CBM proceedings without submission of additional evidence from Petitioner Google. Any additional evidence, papers, and briefing filed on behalf of Petitioner Apple and Petitioner Google in the consolidated proceedings shall be filed by Petitioner Apple, as a consolidated filing, unless we provide authorization otherwise, as noted below. Lastly, Smartflash argues that we should exercise our discretion under 35 U.S.C. § 325(d) by declining to institute a review in the instant case because we have already instituted review "on the same grounds of claims 1, 5, 10, 14, and 22, as well as on claims 8 and 19, from which claims 9 and 22 depend in CBM2015-00031 and -00032." Opp. 6. We decline to exercise our discretion under § 325(d) because we consolidate these proceedings based on the same schedule, evidence, and argument proffered in the Apple CBM proceedings.

As noted above, we instituted the Apple CBM proceedings on May 28, 2015. Google filed the instant petition on May 8, 2015, and its Motion for Joinder was filed on June 29, 2015. Mot. 5, 13; Paper 7. Thus, Google's request satisfies the requirement that the consolidation request be made no later than one month after the institution date of the Apple CBM proceedings. *See* 35 U.S.C. § 325(c); 37 C.F.R. §§ 42.22 and 42.222(b); Fed. R. Civ. P. 6(a).

The only ground upon which we institute a covered business method patent review in this proceeding is a challenge to claims 1, 5, 9, 10, 14, 21, and 22 of the '772 patent based on § 101. We have already determined that five of the seven claims challenged by Google are more likely than not unpatentable on the same ground on which Google's challenge is based,

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§ 101. CBM2015-00031, Paper 11, 19–20 (instituting a review of claims 1, 5, 8, and 10 under § 101); CBM2015-00032, Paper 11, 18–19 (instituting a review of claims 14, 19, and 22 under § 101). That Google’s petition challenges two claims not at issue in the Apple CBMs, claims 9 and 21, does not weigh against joinder. *See* Reply 7. As an initial matter, the statute and regulation allowing consolidation require that only the petition or matter concern the same patent. 35 U.S.C. § 325(c); 37 C.F.R. § 42.222(a). Because claims 9 and 21 depend from claims 8 and 19, respectively, and we instituted a review of both claims 8 and 19 in the Apple CBMs, consolidation will increase efficiency by allowing the Board to address the patentability of the claims challenged in these proceedings in a fewer number of proceedings. Google, thus, does not assert any new ground of unpatentability that is not already being considered in the Apple CBM proceedings.

Under the circumstances, we conclude Google has demonstrated that consolidation will not unduly complicate or delay the Apple CBM proceedings, and therefore, we grant Google’s Motion for Joinder to consolidate this proceeding with each of the Apple CBM proceedings, CBM2015-00031 and CBM2015-00032, as follows. We consolidate Google’s challenge to claims 1, 5, 9, and 10 based on § 101 to CBM2015-00031², and Google’s challenge to claims 14, 21, and 22 based on § 101 to CBM2015-00032³. All filings in the consolidated proceedings will be made

² We note that a challenge to claims 5 and 10 based on 35 U.S.C. § 101 in CBM2015-00059 also has been consolidated with CBM2015-00031.

³ We note that a challenge to claim 14 based on 35 U.S.C. § 101 in CBM2015-00059 also has been consolidated with CBM2015-00032.

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by Petitioner Apple in each of the Apple CBM proceedings. Petitioner Google shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Petitioner Google shall not seek any additional discovery beyond that sought by Petitioner Apple. Petitioner Apple and Petitioner Google shall resolve any disputes between them concerning the conduct of the consolidated proceedings and shall contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation. In consideration of the above, we institute a covered business method patent review in CBM2015-00132 and grant Petitioner Google's motion to consolidate this proceeding with each of the Apple CBM proceedings as stated above.

ORDER

For the reasons given, it is:

ORDERED that the challenge to claims 1, 5, 9, 10, 14, 21, and 22 in CBM2015-00132 is instituted;

FURTHER ORDERED that Google's challenge to claims 1, 5, 9, and 10 based on § 101 is consolidated with CBM2015-00031;

FURTHER ORDERED that Google's challenge to claims 14, 21, and 22 based on § 101 is consolidated with CBM2015-00032;

FURTHER ORDERED that the grounds on which CBM2015-00031 and CBM2015-00032 were instituted are unchanged, except to the extent that a challenge to claims 9 and 21 are consolidated with these proceedings, respectively, and no other grounds are instituted in the consolidated proceeding;

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FURTHER ORDERED that the Scheduling Order in place for CBM2015-00031 and CBM2015-00032 shall govern the consolidated proceedings;

FURTHER ORDERED that the record in each of the Apple CBM proceedings will remain unchanged;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Petitioner Apple, as a single, consolidated filing on behalf of Petitioner Apple and Petitioner Google, and Petitioner Apple will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Petitioner Apple will conduct cross-examination and other discovery on behalf of Petitioner Apple and Petitioner Google and that Patent Owner is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00132 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceedings are to be made in each of CBM2015-00031 and CBM2015-00032;

FURTHER ORDERED that a copy of this Decision will be entered into the records of CBM2015-00031 and CBM2015-00032; and

FURTHER ORDERED that the case caption in each of CBM2015-00031 and CBM2015-00032 shall be changed to reflect consolidation with this proceeding in accordance with the attached examples.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, and SAMSUNG
ELECTORNICS AMERICA, INC., and GOOGLE, INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00031^{1,2}
Patent 8,336,772 B2

¹ The challenge to claims 5 and 10 based on 35 U.S.C. § 101 in CBM2015-00059 has been consolidated with this proceeding.

² The challenge to claims 1, 5, 9, and 10 based on 35 U.S.C. § 101 in CBM2015- 00132 has been consolidated with this proceeding.

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Patent 8,336,772 B2

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, and SAMSUNG
ELECTORNICS AMERICA, INC., and GOOGLE, INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00032^{1,2}
Patent 8,336,772 B2

¹ The challenge to claim 14 based on 35 U.S.C. § 101 in CBM2015-00059 has been consolidated with this proceeding.

² The challenge to claims 14, 21, and 22 based on 35 U.S.C. § 101 in CBM2015-00132 has been consolidated with this proceeding.

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Paper 50
Entered: August 24, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, SAMSUNG
ELECTRONICS AMERICA, INC., and GOOGLE INC.,
Petitioner,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00032²
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ANDERSON, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ "Petitioner" refers to Apple Inc., Samsung Electronics Ltd., Samsung Electronics America, Inc., and Google Inc., collectively.

² Samsung's challenge to claim 14 of US Patent No. 8,336,772 B2 ("the '772 patent") in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google's challenge to claims 14 and 22 of the '772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 38, 2-3 (claim 21 was initially consolidated with this case, but subsequently consolidated with another case).

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INTRODUCTION

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 14, 19, and 22 of U.S. Patent No. 8,336,772 B2 (Ex. 1201, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11) based upon Apple’s assertion that claims 14, 19, and 22 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2016, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). We consolidated Petitioner Samsung’s challenge to claim 14 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 5, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21,

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and 22 of the '772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, "Google Petition"). We consolidated Petitioner Google's challenge to claims 14, and 22 of the '772 patent with this proceeding. Paper 31, Paper 38, 3 (claim 21 was initially consolidated with this case, but subsequently consolidated with another case); *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. at 11 (PTAB Dec. 1, 2015) (Paper 14).

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 14, 19, and 22 of the '772 patent are unpatentable. Paper 46 ("Final Dec."), 4, 34. Smartflash requests rehearing of the Final Decision. Paper 47 ("Request" or "Req. Reh'g"). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 48 ("Notice"). Petitioner filed a Response to Smartflash's Notice. Paper 49 ("Notice Resp."). Having considered Patent Owner's Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

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ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 14, 19, and 22 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 15-27.” Req. Reh’g 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 15-34” (*id.* at 11 n.4) and “[p]ursuant to

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37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 27; *see also id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 11–13) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 16–27 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 42 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”), *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those

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arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.,* Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 10–15) were addressed at pages 13–23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 23–25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7–10) were addressed at pages 17–21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and

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methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2³ as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioner argues, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 14, 19, and 22, the claimed code performs generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 15–17; Notice Resp. 1–2. These limitations of claims 14, 19, and 22 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6,

³ We note that U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

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*7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22–23 (citing Ex. 1315, Abstract, 10:24–30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

⁴ We agree with Petitioner that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2–3; Notice Resp. 2; PO Resp. 13; Final Decision 22–23.

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Paper 46
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD,
SAMSUNG ELECTRONICS AMERICA, INC., and GOOGLE INC.,
Petitioner,¹

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00032²
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

ANDERSON, *Administrative Patent Judge*.

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ “Petitioner” refers collectively to Apple Inc., Samsung Electronics LTD, Samsung Electronics America, Inc., and Google Inc.

² Samsung’s challenge to claim 14 of US Patent No. 8,336,772 B2 (“the ’772 patent”) in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9. Google’s challenge to claims 14 and 22 of the ’772 patent in CBM2015-00132 was consolidated with this proceeding. Paper 31, 11; Paper 38, 2–3.

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INTRODUCTION

A. Background

Petitioner Apple Inc. filed a Corrected Petition to institute covered business method patent review of claims 14, 19, and 22 of U.S. Patent No. 8,336,772 B2 (Ex. 1301, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 14, 19, and 22 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Petitioner filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Petitioner Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26, and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder ((CBM2015-00059, Paper 11) seeking to consolidate its challenge to claim 14 with the covered business method patent review in CBM2015-00032.³ On August 5, 2015, we granted

³ Samsung’s Motion requested that: its challenge to claim 14 be consolidated with this case; its challenge to challenge to claims 5 and 10 be consolidated

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Samsung's Petition and consolidated Samsung's challenge to claim 14 of the '772 patent with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9 (PTAB Aug. 55, 2015) (Paper 13).

On May 8, 2015, Petitioner Google Inc. filed a Petition to institute covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the '772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6⁴, "Google Petition"). On June 29, 2015, Google filed a "Motion for Joinder" of its newly filed case with previously instituted Petitioner cases CBM2015-00031 and CBM2015-00032. CBM2015-00132 (Paper 10, "Google Mot."). On December 1, 2015, we granted Google's Petition and consolidated Google's challenge to claims 14, 19, 21, and 22 of the '772 patent with this proceeding.⁵ Paper 31; *Google Inc. v. Smartflash LLC*, Case CBM2015-00132, slip. op. 11 (PTAB Dec. 1, 2015) (Paper 14). Google's challenge to claims 1, 5, 9, and 10 of the '772 patent were consolidated with CBM2015-00031. On December 16, 2015, we revised our institution order to consolidate Google's challenge to claims 9 and 21 with

be consolidated with CBM2015-00031, and that its challenge to claims 26 and 32 be consolidated with CBM2015-00033. CBM2015-00031 and CBM2015-00033 were both filed by Petitioner and involve claims 1, 5, 8, and 10, and claims 25, 26, 30, and 32, respectively, of the '772 patent. Final Written Decisions in CBM2015-00031 and CBM2015-00033 are issued concurrently with this Decision.

⁴ We refer to the redacted version of the Petition.

⁵ For purposes of this Decision, we will cite only to Petitioner's Petition and the record in CBM2015-00032.

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CBM2015-00133, instead of with CBM2015-00031 and this proceeding, respectively. Paper 38, 3.

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 44, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 14, 19, and 22 of the ’772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’772 Patent

The ’772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1301, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The ’772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the ’772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The

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'772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Illustrative Claims

Petitioner challenges claims 14, 19, and 22 of the '772 patent. Claims 14 and 19 are independent and claim 22 depends from claim 19. Claims 14 and 19 are reproduced below:

14. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for communicating with a data supplier;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;
 - a processor coupled to said non-volatile memory, said program store, said wireless interface and a user interface to allow a user to select and play said multimedia content;
 - a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;
 - wherein the processor control code comprises:
 - code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface;
 - code to receive said identifier data via said wireless interface, said identifier data identifying said one or more items of multimedia content available for retrieving via said wireless interface;

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code to request content information via said wireless interface, wherein said content information comprises one or more of description data and cost data pertaining to at least one of said one or more items of multimedia content identified by said identifier data;

code to receive said content information via said wireless interface;

code to present said content information pertaining to said identified one or more items of multimedia content available for retrieving to a user on said display;

code to receive a user selection selecting at least one of said one or more items of multimedia content available for retrieving;

code responsive to said user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said selected at least one item of multimedia content; and

code responsive to said payment validation data to retrieve said selected at least one item of multimedia content via said wireless interface from a data supplier and to write said retrieved at least one item of multimedia content into said non-volatile memory,

wherein said user interface is operable to enable a user to select said selected at least one item of multimedia content available for retrieving.

Ex.1301, 27:55–28:39.

19. A data access terminal for retrieving a content data item from a data supplier and providing the retrieved data item to a data carrier, the data access terminal comprising:

- a first interface for communicating with the data supplier;
- a user interface;

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a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

code to receive said content information;

code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a user selection selecting at least one of said one or more of said content data items available for retrieving;

code responsive to said user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item; and

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier..

Ex. 1301, 28:55–29:25.

ANALYSIS

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A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 14, 19, and 22 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–33. Petitioner submits a Declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1319.

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

⁷ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4–11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the Declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

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According to Petitioner, claims 14, 19, and 22 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 20–33. Smartflash argues that claims 14, 19, and 22 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claim 14 recites a “handheld multimedia terminal” and claims 19 and 22 recite a “data access terminal,” which fall into the “machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to

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“determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–1334 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 14, 19, and 22 are directed to the abstract idea of “paying for and controlling access to content.” Pet. 21; *see id.* at 23–25. Although Smartflash does not concede, in its Patent Owner Response, that claims 14, 19, and 22 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as

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abstract. PO Resp. 16–27 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19–22 (Petitioner stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added),), *id.* at 7:22–23 (Petitioner also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

We are persuaded that claims 14, 19, and 22 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 14 recites “code responsive to said user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content.” Independent claim 19 is similar and recites “code responsive to said user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item.” Claim 22 depends from claim 19 and recites “wherein said data access terminal is integrated with a mobile communications device and audio/video player.”

Furthermore, as discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:23–57. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61–2:3.

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The '772 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 14, 19, and 22 are not limited to the Internet. Claim 14 recites “code to” perform various functions related to the abstract idea. Independent claim 14 recites , among other things, code to: “request identifier data,” “receive said identifier data,” “request content information . . . [comprising] description data and cost data pertaining to . . . multimedia content identified by said identifier data,” “receive said content information,” “present said content information pertaining to said . . . multimedia content available for retrieving to a user,” “receive a user selection,” “code responsive to said user selection . . . to transmit payment data relating to payment for said selected at least one item of multimedia content . . . for validation by a payment validation system,” “receive payment validation data,” and “responsive to said payment validation data to retrieve said . . . multimedia content.” Independent claim 19, from which claim 22 depends, recites “code to” “request identifier data,” “receive said identifier data,” “request content information pertaining to . . . content data items,” “receive said content information,” “present said content information to a user . . . pertaining to . . . said content data;” “receive a user selection . . . of said content data items,” “responsive to said user selection . . . to transmit payment data . . . for said selected . . . at least one content item for validation by a payment validation system,” “receive payment validation data;” and “responsive to the payment validation data to retrieve said selected content data item . . . and write said retrieved at least one content data item into said data carrier.” The underlying concept of claims 14, 19, and 22 particularly when viewed in light of the '772 patent specification, is conditioning and controlling access to content based on, for

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example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '772 patent specification and the claim language, that each of claims 14, 19, and 22 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenged

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claims are either field of use limitations—limiting the ideas of payment and controlling access to content to payment for retrieving “data” and controlling access to content based on “payment data” and “payment validation data”—or generic computer implementations, which Petitioner argues is insufficient to bring the claims within § 101 patent eligibility. Pet. 25–31. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 10–12. Petitioner persuades us that claims 14, 19, and 22 of the ’772 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 14, 19, and 22 are field of use limitations and/or are generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 25–31; Reply 4–6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 25 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital

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content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Petitioner for the following reasons.

The ’772 patent specification treats as well-known all potentially technical aspects of claims 14, 19, and 22, including “a wireless interface,” “non-volatile volatile memory,” “a processor,” “a program store,” “a user interface,” “code” and “a display.” *See* Reply 11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may be Flash memory (Ex. 1301, 17:31–36), as found in a standard “smart Flash card” (*id.* at 17:15–24). *See also id.* at 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 18:16–20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” in claims 14 and 19 performs generic computer functions, such as requesting, receiving, writing, selecting, transmitting, displaying, and identifying, and storing. Pet. 2–3, *see id.* at 27–29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 13471348 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 14, 19, and 22 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. *See* PO Resp. 27. None of the challenged claims recite any particular or “distinct memories.” As noted

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above, the '772 patent specification indicates that the required memories may be conventional types of memory. Ex. 1301, 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 17:15–24, 17:31–36, 18:16–20 (describing components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. See *Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 14, 19, and 22 also recite several conventional computer components, including a “data carrier,” “memory,” “program store,” “processor,” “code,” “interface,” and “display.” See Pet. 29. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the '772 patent related to the way the recited components are constructed or used. As discussed above, the '772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preambles of claims 19 and 22. Ex. 1301, 4:7–8. Other components specifically described as “conventional” include

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“a processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16–20.

In addition, because the recited elements can be implemented on a general purpose computer, claims 14, 19, and 22 do not cover a “particular machine.” Pet. 33; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 14, 19, and 22 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 14, 19, and 22 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 14, 19, and 22 are directed to statutory subject matter because the claims are ““rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”” PO Resp. 1, 18 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and code responsive to payment validation data to control access to the digital content when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by retrieving content only after payment

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validation data has been received to reduce risk of piracy or non-payment to content rights owners.

Id. at 17.

Petitioner responds that claims 14, 19, and 22 are distinguishable from the claims in *DDR Holdings*. Reply 7–14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to

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be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 14, 19, and 22 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 7–14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 14, 19, and 22 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1301, 5:13–16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1319 ¶ 77); Ex. 1315, 1:13–23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try certain software programs in a limited time period without incurring a license fee.”) Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on “controlling access [to content] based on

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payment or rules.” *See* Reply 9 (citing Ex. 1319 ¶¶ 31, 76–77; Ex. 1308, Abstract, 4:27–35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 10–12. For example, claim 19 of the ’772 patent recites code to “request identifier data,” “receive said identifier data,” “request content information pertaining to . . . content data items,” “receive said content information,” “present said content information to a user via said user interface pertaining to . . . said content data,” “receive a user selection . . . of said content data,” “responsive to said user selection . . . transmit payment data . . . for said selected . . . content item for validation by a payment validation system,” “receive payment validation data,” and “responsive to the payment validation data to retrieve said selected content data item . . . and write said retrieved at least one content data item into said data carrier.” These limitations, and the other limitations of claims 14, 19, and 22, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258–59).

The claims at issue in *Ulramercial*, like claims 14, 19, and 22, were also directed to distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 14,

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19, and 22, the *Ultramercial* claims condition and control access based on viewing an advertisement. *Ultramercial*, 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 14, 19, and 22 comprise this abstract concept of conditioning and controlling access to content based on, for example, payment. *See id.* at 715. Adding routine additional routine computer functions such as “request identifier data;” “receive said identifier data;” “request content information;” “receive said content information;” “present said content information to a user;” “receive a user selection;” and “receive payment validation data;” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access to said one selected item of multimedia content”” does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 14, 19, and 22 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 14, 19, and 22 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’772 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner. PO Resp. 13 (quoting Ex. 1201, 5:33–37). Referring to this disclosure, Smartflash argues that

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By using a system that combines on the data carrier both the digital content and the at least one access rule, access code responsive to payment validation data to control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had had only been partially used.**

PO Resp. 13–14.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental

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period.” Ex. 1315, Abstract, 10:24–30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to stored content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 31), “underl[y]ing *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 27. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’772 patent do not raise preemption concerns. *Id.* at 32–34.

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Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See Reply 16–17* (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly

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more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 14, 19, and 22 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash’s Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims 14 and 22 under § 101 in its related district court litigation with Smartflash (PO Resp. 34–36); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the ’772 patent (*id.* at 36); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 36–38); and (4) section 101 is not a ground on which a Covered Business Method patent review may be

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instituted (*id.* at 38–41). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Smartflash’s reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 14, 19, and 22 of the ’772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 14, 19, and 22 of the ’772 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 36; *see* Reply 22–23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggins v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the

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Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2dUSPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 38–39 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 14, 19, and 22 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Petitioner filed an Opposition to Smartflash’s Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash’s Motion to Exclude seeks to exclude Exhibits 1302–08, 1311–19, 1324–30, 1333, 1335, and 1336. Paper 29, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

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Exhibit 1302

Smartflash seeks to exclude Exhibit 1302—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1–3; Paper 33, 1–2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash’s characterization of the ’772 patent in the complaint because the ’772 patent itself is in evidence. Paper 29, 1–3. Moreover, according to Smartflash, its characterization of the ’772 patent is irrelevant and, even if relevant, cumulative to the ’772 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1302 not as evidence of the content of the ’772 patent, but to show that Smartflash’s characterization of the ’772 patent supports Petitioner’s contention that the ’772 patent is a covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the ’772 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash’s characterization of the ’772 patent in another proceeding is not in the ’772 patent itself, and, therefore, Exhibit 1302 is not cumulative to the ’772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1302 is offered not for the truth of the matter asserted (i.e., the content of the ’772 patent), but as evidence of how Smartflash has characterized the ’772 patent. Thus, Smartflash has not persuaded us that Exhibit 1302 is evidence of the content of a writing or that it is cumulative to the ’772 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1302 is irrelevant, at least because its characterization of the ’772 patent in prior proceedings is relevant to the credibility of its characterization of the ’772 patent in this

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proceeding. Smartflash contends that Exhibit 1302 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 33, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–11).

Accordingly, we decline to exclude Exhibit 1302.

Exhibits 1305, 1324, 1329, 1330, 1333, and 1335

Smartflash seeks to exclude Exhibits 1305, 1324, 1329, 1330, 1333, and 1335 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3–5; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1305 (*see* Paper 32, 4 n.3) were cited in the Wechselberger Declaration as "Materials Reviewed and Relied Upon." Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

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We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash's reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1324, 1329, 1330, 1333, and 1335. We grant the motion as to Exhibit 1305.

Exhibits 1303, 1304, 1306–08, 1311–18, 1325–28, and 1336

Smartflash seeks to exclude Exhibits 1303, 1304, 1306–08, 1311–18, 1325–28, and 1336 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5–8; Paper 33, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 32, 4–6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged

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claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1303, 1304, 1306–08, 1311–18, 1325–28, and 1336.

Exhibit 1319

Smartflash moves to exclude Exhibit 1319, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8–11; Paper 33, 3. Specifically, Smartflash contends that the Declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8–9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Paper 29, 10–11; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 6–7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger’s Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the “preponderance of the evidence”

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standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 12191319 in its entirety, we exclude paragraphs 28–68 and 69–96 from the Declaration. Paper 29, 11–12.

Paragraphs 28–68 of the Wechselberger Declaration

Paragraphs 28-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11–12.

Petitioner counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues, including what is well known, routine and conventional; and FRE 602 does not apply to a witness’s expert testimony. Paper 32, 8–9 (citations omitted).

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We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 69–96 of the Wechselberger Declaration

Paragraphs 69-96 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Petitioner counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness’s expert testimony. Paper 32, 8–9 (citations omitted).

We are not persuaded by Smartflash’s arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1319 ¶¶ 2–12, App’x A. We are, therefore, not persuaded by Smartflash’s argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it “does not apply to a witness’s expert testimony under Rule 703.” Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1319 ¶¶ 76–85, 88–89), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

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Accordingly, Smartflash has not persuaded us that Exhibit 1319 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 14, 19, and 22 of the '772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1305 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 11
Entered: May 28, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00032
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

CLEMENTS, *Administrative Patent Judge*.

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx449

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INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Corrected Petition requesting covered business method patent review of claims 14, 19, and 22 (the “challenged claims”) of U.S. Patent No. 8,336,772 B2 (Ex. 1301, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 5 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 8 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 14, 19, and 22 of the ’772 patent.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds (Pet. 19):

References	Basis	Claims Challenged
Not Applicable	§ 101	14, 19, and 22
Stefik ² , Poggio ³ , and Subler ⁴	§ 103	14, 19, and 22

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

² U.S. Patent No. 5,530,235 (Ex. 1312) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1313) (“Stefik ’980”) (collectively, “Stefik”).

³ European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1315) (“Poggio”).

⁴ U.S. Patent No. 5,646,992 (Ex. 1336) (“Subler”).

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References	Basis	Claims Challenged
Stefik, Poggio, Subler, and Sato ⁵	§ 103	14, 19, and 22

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1319.

C. Related Matters

The parties indicate that the '772 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 18; Paper 6, 3. Patent Owner also indicates that the '772 patent is the subject of two other district court cases: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC, et al. v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.), all pending in the U.S. District Court for the Eastern District of Texas (E.D. Tex.). Paper 10, 4–5.

Petitioner previously filed two Petitions for covered business method patent review of the '772 Patent: CBM2014-00110 and CBM2014-00111. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00110, slip op. at 19 (PTAB Sept. 30, 2014) (Paper 7); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00111, slip op. at 22 (PTAB Sept. 30, 2014) (Paper 7). Several related patents, which claim priority back to a common series of applications, are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Apple.

⁵ JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1317) (“Sato”).

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Petitioner filed concurrently another two Petitions for covered business method patent review of the '772 patent: CBM2015-00031 and CBM2015-00033. In addition, Petitioner concurrently filed two other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner, which disclose similar subject matter: CBM2015-00028 and CBM2015-00029.

D. The '772 Patent

The '772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1301, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the '772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The '772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways.

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See, e.g., id. at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Illustrative Claims

As noted above, Petitioner challenges claims 14, 19, and 22. Claims 14 and 19 are independent and claim 22 depends from claim 19. Claim 19 is illustrative of the claimed subject matter and is reproduced below:

19. A data access terminal for retrieving a content data item from a data supplier and providing the retrieved data item to a data carrier, the data access terminal comprising:

a first interface for communicating with the data supplier;
a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

code to receive said content information;

code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a user selection selecting at least one of said one or more of said content data items available for retrieving;

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code responsive to said user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item; and

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier.

Id. at 28:55–29:25.

ANALYSIS

A. Claim Construction

While Petitioner presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

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1. Financial Product or Service

Petitioner asserts that claim 19 “expressly recites software to perform data processing and other operations in connection with the recited ‘payment validation system’ [and] thus clearly relates to a financial activity and providing a financial service.” Pet. 9. Based on this record, we agree with Petitioner that the subject matter recited by claim 19 is directed to activities that are financial in nature, namely data access conditioned on payment validation.

Claim 19 recites “code . . . to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system,” “code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item,” and “code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the ’772 patent, which confirms claim 19’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1301, 1:24–25. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1301, 1:62–2:3, 6:64–7:1, 20:59–63.

Patent Owner disagrees that claim 19 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be

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interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–11. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 19 is not directed to an apparatus or method that is financial in nature because claim 19 “omits the specifics of how payment is made.” Prelim. Resp. 10. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that imposes such a requirement. *Id.* We determine that because claim 19 recites payment data and restricting access content based on such payment data, as

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Patent Owner acknowledges (*id.*), the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '772 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 19 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 10–14. In particular, Petitioner argues that claim 19 "does not claim 'subject matter as a whole [that] recites *a technological feature* that is novel and unobvious over the prior art[] and solves *a technical problem* using *a technical solution*.'" Pet. 10 (quoting 37 C.F.R. § 42.301(b)) (emphases in original). Patent Owner disagrees and argues that claim 19, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 12.

We are persuaded that claim 19 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 19 recites only features such as "first interface for communicating," "user interface," "data carrier interface," "program store," "processor," and "code."

In addition, the '772 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the '772 patent states that "there is an urgent need to find a way to address the problem of data piracy," (*id.* at 1:56–58) while acknowledging that the "physical embodiment of the system is not critical and a skilled person will understand

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that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:37–40). Thus, on this record, we determine that claim 19 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 19 falls within § 18(d)(1)’s exclusion for “technological invention” because it is directed to solving the technological problem of “responsive to payment validation data, retrieving a selected content data item from a data supplier and writing it into said data carrier, e.g., as part of a convenient, legitimate acquisition of data from a data supplier.” Prelim. Resp. 12. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 19 is a business problem—data piracy. Pet. 13. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1301, 2:14–19. Therefore, based on the particular facts of this proceeding, we conclude that claim 19 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’772 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent review program.

C. Statutory Subject Matter

Petitioner challenges claims 14, 19, and 22 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–33. Patent Owner

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does not address the merits of this challenge. *See* Prelim. Resp. 19.

Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 20–33. Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and controlling access to content.” *Id.* at 21.

We agree with Petitioner that, on this record, the challenged claims of the '772 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “handheld multimedia terminal” (claim 14) or a “data access terminal” (claim 19), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that

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claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1298). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’” *Id.* (alteration in original) (quoting *Mayo*, 132 S. Ct. at 1294).

Petitioner contends that each challenged claim is drawn to the concept of controlling access based on payment, a “well-known ‘building block of the modern economy’ and a longstanding ‘method of organizing human activity’ long pre-dating the ’772 patent.” Pet. 24 (quoting *Alice*, 134 S. Ct. at 2356–57). As discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:33–58. The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:62–2:7. The ’772 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 2:8–19. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in

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Alice was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’772 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Petitioner contends that the “challenged claims simply instruct that the abstract ideas of payment for controlling access to data should be implemented in software and refer only to generic computer functions.” Pet. 27. On this record, we are not persuaded that the recited limitations of the challenged claims, which include, for example, “wireless interface,” “non-volatile memory,” “program store,” “processor,” “display,” “user interface,” “data carrier interface,” and “code” perform functions that are anything other than “purely conventional.” *See Alice*, 134 S. Ct. at 2359. Thus, on this record, we are not persuaded that any of the allegedly technical limitations viewed “both individually and ‘as an ordered combination,’” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297, 1298).

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Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 14, 19, and 22 are unpatentable under 35 U.S.C. § 101.

Patent Owner argues that Petitioner's assertion of this ground is untimely because Petitioner "provides no valid reason why it did not raise this purely legal issue as grounds for invalidity in its two prior petitions filed long before [the instant Corrected P]etition." Prelim. Resp. 16. According to Patent Owner,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its April 3, 2014 petitions encourages Apple's piecemeal invalidity challenges to Patent Owner's patent claims and runs afoul of the [Board's] charge to 'secure the just, speedy, and inexpensive resolution' of Apple's covered business method challenges to the '772 Patent.

Id. at 16. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court's June 19, 2014 decision in *Alice* was decided after Petitioner's original petitions were filed in March 2014. *Id.* at 15–16. Thus, on this record, we are not persuaded that Petitioner's assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Petitioner has established that it is more likely than not that claims 14, 19, and 22 of the '772 patent are unpatentable under 35 U.S.C. § 101.

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D. Obviousness Challenges

Petitioner argues that claims 14, 19, and 22 are unpatentable under 35 U.S.C. § 103(a) as obvious over: Stefik, Poggio, and Subler; and Stefik, Poggio, Subler, and Sato. Pet. 16, 33–79.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it would prevail in showing that claims 14, 19, and 22 are unpatentable as obvious over any of the proposed obviousness combinations identified above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 41–79. Petitioner also has not shown that any of the individual references anticipate the challenged claims. Thus, it is unclear how

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Petitioner proposes that we do a proper *Graham* analysis to determine that the challenged claims are unpatentable.

We cannot ascertain from the Petition, including the claim charts and the numerous attending footnotes, which disclosure of which prior art reference Apple is referring to as teaching or suggesting each limitation and why such disclosure satisfies the limitation. With respect to independent claim 14, for example, Petitioner cites Stefik for each claim limitation. *Id.* at 41–64. At the same time, Petitioner cites Poggio and/or Subler for ten of the fifteen limitations of claim 14. *Id.* With respect to the recited “code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface;” in claim 14, for example, Petitioner cites a number of portions of Stefik, as well as portions of Poggio and Subler. *See id.* at 47–50. Petitioner does not allege directly that Stefik alone teaches or renders obvious each limitation, yet, as noted above, Petitioner cites Stefik for each claim limitation. At the same time, Petitioner proposes combining a number of features from Poggio and/or Subler with the teachings of Stefik. *See, e.g., id.* at 37–39, 43–44 n.18, 45–46 n.20, 48–49 n.24, 49–50 n.25.

Petitioner’s analysis prevents us from determining what specific teaching is lacking in Stefik (i.e., the differences between the claimed subject matter and Stefik). *See Graham*, 383 U.S. at 17–18. For example, with respect to “a wireless interface configured to interface with a wireless network for communicating with a data supplier,” also recited in independent claim 14, Petitioner identifies the external interface or I/O port of a repository, such as the PCMCIA interface of a DocuCard (*id.* at 41–42), and argues that “[t]o the extent that Stefik does not explicitly disclose

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wireless communications, a POSA would have appreciated and found it obvious to implement Stefik's media distribution among repositories using wireless communications, and to do so by employing, for the disclosed repository interfaces, wireless interfaces with this capability." *Id.* at 42 n.16. Petitioner also alleges that Sato discloses a radio transceiver. *Id.* at 42–43. Petitioner further contends that it would have been obvious to “implement Stefik's system of repositories for encouraging the secure distribution of digital media, using Sato's advantageous explicit teachings of a mobile media device (such as a mobile phone) for accessing such media wirelessly to increase the spread of the content distribution.” *Id.* at 43 n.17. Similarly, Petitioner contends that Poggio discloses “[a] client computer [that] includes an interface (e.g., interconnectivity means; communications interface) to communicate over the network and access the remote system (e.g., VVM)” (*id.* at 43–44) and argues that “[t]o the extent that Poggio does not explicitly disclose wireless communications, a POSA would have appreciated and found it obvious to implement Poggio's VVM using wireless communications, and to do so by employing, for the disclosed client computer interfaces, wireless interfaces with this capability.” *Id.* at 43 n.18.

Nowhere does Petitioner explain any differences between the claimed invention and Stefik. As a result, it is not clear whether Petitioner is alleging that certain claim limitations are taught by Stefik, rendered obvious by Stefik, taught by Poggio, Subler, and/or Sato, or rendered obvious in view of Stefik, Poggio, Subler, and/or Sato. Given this ambiguity in the Petition, we cannot ascertain which reference to rely on for any given limitation or why a person of ordinary skill in the art would have found it obvious to combine

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that particular disclosed subject matter with the subject matter disclosed by the other references.

We are, thus, not persuaded that Petitioner has shown that it is more likely than not that claim 14 would have been obvious over the combination of Stefik, Poggio, and Subler, or the combination of Stefik, Poggio, Subler, and Sato. For the same reasons, we are not persuaded that Petitioner has shown more likely than not that claims 19 and 22 would have been obvious over the combination of Stefik, Poggio, and Subler, or the combination of Stefik, Poggio, Subler, and Sato.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 14, 19, and 22 are unpatentable as obvious over: Stefik, Poggio, and Subler; or Stefik, Poggio, Subler, and Sato.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 14, 19, and 22 of the '772 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to claims 14, 19, and 22 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

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FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above, the trial commencing on the entry date of this Decision.

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Paper 44
Entered: August 24, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, and
SAMSUNG ELECTRONICS AMERICA, INC.,
Petitioner

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00033¹
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

CLEMENTS, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Samsung's challenge to claims 26 and 32 of U.S. Patent No. 8,336,772 B2 in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9–10.

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INTRODUCTION

Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 25, 26, 30, and 32 of U.S. Patent No. 8,336,772 B2 (Ex. 1401, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). On May 28, 2015, we instituted a covered business method patent review based upon Apple’s assertion that claims 25, 26, 30, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 11, 19. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Pet. Reply”) to Patent Owner’s Response. We consolidated a challenge by Samsung Electronics America, Inc., and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) to claim 26 and 32 of the ’772 patent with this proceeding. Paper 24, 9–10; *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2015-00059 (Paper 13) (PTAB August 5, 2015).

In our Final Decision, we determined that Petitioners Apple and Samsung had established, by a preponderance of the evidence, that claims 25, 26, 30, and 32 of the ’772 patent are unpatentable. Paper 40 (“Final Dec.”), 3, 34. Smartflash requests rehearing of the Final Decision. Paper 41 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 42 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 43 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

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STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 25, 26, 30, and 32 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any

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particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 15-29.” Request 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. *See* PO Resp. 15-37” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 29, 36-37; *see also, id.* 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 11–13) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 15–29 (Patent Owner Response argues that claims

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are statutory under only the second step of Mayo and Alice); *see also* Paper 38 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of Mayo and Alice.”), *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 19) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 19), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 11–15) were addressed at pages 13–23 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 7) were addressed at pages 23–25 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7–10) were addressed at pages 17–21 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

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The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the U.S. Patent No. 7,334,720 B2² as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; and (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’772 patent specification treats as well-known and conventional all potentially technical elements of claims 25, 26, 30, and 32, the claimed code performs generic computer functions, and the claims recite several generic

² We note that the U.S. Patent No. 7,334,720 B2 is not at issue in this proceeding.

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and conventional data types. Final Dec. 15–17; Notice Resp. 1–2. These limitations of claims 25, 26, 30, and 32 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 20. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information³ in the same place or on the same device is an age old practice.” Final Dec. 22. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* at 22–23 (citing Ex. 1415, Abstract, 10:24–30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

³ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2–3; Notice Resp. 2; PO Resp. 13; Final Decision 22–23.

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Paper 40
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC., SAMSUNG ELECTRONICS LTD, and
SAMSUNG ELECTRONICS AMERICA, INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00033¹
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, *Administrative Patent Judges.*

CLEMENTS, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ Samsung's challenge to claims 26 and 32 of US Patent No. 8,336,772 B2 in CBM2015-00059 was consolidated with this proceeding. Paper 24, 9–10.

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INTRODUCTION

A. Background

Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 25, 26, 30, and 32 of U.S. Patent No. 8,336,772 B2 (Ex. 1401, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 25, 26, 30, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Reply”) to Patent Owner’s Response.

On January 15, 2015, Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. (collectively, “Samsung”) filed a Petition to institute covered business method patent review of claims 5, 10, 14, 26 and 32 of the ’772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059 (Paper 2, “Samsung Petition”). On June 29, 2015, Samsung filed a Motion for Joinder (CBM2015-00059, Paper 11) seeking to consolidate its challenge to claims 26 and 32 with the covered business method patent

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review in CBM2015-00033.² On August 5, 2015, we granted Samsung's Petition and consolidated Samsung's challenge to claims 26 and 32 with this proceeding. Paper 24; *Samsung Electronics America, Inc. and Samsung Electronics, Co., Ltd. v. Smartflash LLC*, Case CBM2015-00059, slip. op. at 9–10 (PTAB Aug. 5, 2015) (Paper 13).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 38, "Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Apple has shown by a preponderance of the evidence that claims 25, 26, 30, and 32 of the '772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '772 Patent

The '772 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1401, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The '772 patent describes providing portable data storage

² Samsung's Motion requested that its challenge to claims 26 and 32 be consolidated with this case. CBM2015-00059, Paper 11. Samsung's Motion also requested that its challenge to claims 5 and 10 be consolidated with CBM2015-00031, and that its challenge to claim 14 be consolidated with CBM2015-00032. CBM2015-00031 and CBM2015-00032 were both filed by Apple and involve claims 1, 5, 8, and 10, and claims 14, 19, and 22, respectively, of the '772 patent.

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together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the ’772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The ’772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Illustrative Claims

Apple challenges claims 25, 26, 30, and 32 of the ’772 patent. Claims 25 and 30 are independent and claims 26 and 32 depend from claims 25 and 30, respectively. Claims 25 and 30 are reproduced below:

25. A handheld multimedia terminal for retrieving and accessing protected multimedia content, comprising:
- a wireless interface configured to interface with a wireless network for communicating with a data supplier;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;

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a processor coupled to said non-volatile memory, said program store, said wireless interface and

a user interface to allow a user to select and play said multimedia content;

a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:

code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface;

code to receive said identifier data via said wireless interface, said identifier data identifying said one or more items of multimedia content available for retrieving via said wireless interface;

code to request content information via said wireless interface, wherein said content information comprises one or more of description data and cost data pertaining to at least one of said one or more items of multimedia content identified by said identifier data;

code to receive said content information via said wireless interface;

code to present said content information pertaining to said identified one or more items of multimedia content available for retrieving to a user on said display;

code to receive a first user selection selecting at least one of said one or more items of multimedia content available for retrieving;

code responsive to said first user selection of said selected at least one item of multimedia content to transmit payment data relating to payment for said selected at least one item of multimedia content via said wireless interface for validation by a payment validation system;

code to receive payment validation data via said wireless interface defining if said payment validation

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system has validated payment for said selected at least one item of multimedia content; and

code responsive to said payment validation data to retrieve said selected at least one item of multimedia content via said wireless interface from a data supplier and to write said retrieved at least one item of multimedia content into said non-volatile memory, code to receive a second user selection selecting one or more of said items of retrieved multimedia content to access;

code to read use status data and use rules from said non-volatile memory pertaining to said second selected one or more items of retrieved multimedia content; and

code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more items of retrieved multimedia content,

wherein said user interface is operable to enable a user to make said first user selection of said selected at least one item of multimedia content available for retrieving,

wherein said user interface is operable to enable a user to make said second user selection of said one or more items of retrieved multimedia content available for accessing, and

wherein said user interface is operable to enable a user to access said second user selection of said one or more item of retrieved multimedia content responsive to said code to control access permitting access to said second selected one or more items of retrieved multimedia content.

Ex. 1401, 29:40–30:47.

30. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

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a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

code to receive said content information; code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a first user selection selecting at least one of said one or more of said content data items available for retrieving;

code responsive to said first user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item;

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier;

code to receive a second user selection selecting one of said one or more of said retrieved content data items to access;

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code to read use status data and use rules from said data carrier pertaining to said second selected one or more retrieved content data items; and

code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more retrieved content data items.

Ex. 1401, 30:65–31:43.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,³ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

³ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

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B. Statutory Subject Matter

Apple challenges claims 25, 26, 30, and 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–31. Apple submits a declaration from Anthony J. Wechselberger (“Wechselberger Declaration”).⁴ Ex. 1419.

According to Apple, claims 25, 26, 30, and 32 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 20–31. Smartflash argues that claims 25, 26, 30, and 32 are directed to statutory subject matter because they are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ – that of digital data piracy.” PO Resp. 18 (citations omitted). Specifically, Smartflash asserts that “the claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier.” *Id.* at 17.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claims 25 and 26 recite a “handheld multimedia terminal” and claims 30 and 32 recite a “data access terminal,” which fall into the

⁴ In its Response, Patent Owner argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 4–11. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner’s argument as part of our analysis of the motion, discussed below.

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“machine” category under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent

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claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 25, 26, 30, and 32 are directed to the abstract idea of “paying for and controlling access to data / content.” Pet. 20; *see id.* at 25–26. Although Smartflash does not concede, in its Patent Owner Response, that claims 25, 26, 30, and 32 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 16–29 (Patent Owner Response arguing that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Tr. 7:19–22 (Apple stating that “Patent Owner has made no argument that its claims are not directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) (emphasis added), *id.* at 7:22–23 (Apple also stating “[Patent Owner] has never disputed the articulation of those abstract ideas”).

We are persuaded that claims 25, 26, 30, and 32 are drawn to the abstract idea of conditioning and controlling access to content based on, for example, payment. Specifically, independent claim 25 recites “code to receive payment validation data . . . for said selected at least one item of multimedia content.” Independent claim 30 recites “code to receive payment validation data . . . for said selected at least one content data item.” Claim 26 depends from claim 25 and recites “code to present said second

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selected one or more items of retrieved multimedia content to a user via said display if access is permitted.” Claim 32 depends from claim 30 and recites “said data access terminal is integrated with a mobile communications device and audio/video player.” Furthermore, as discussed above, the ’772 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1401, 1:23–57. The specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:61–2:3. The ’772 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 25, 26, 30, and 32 are not limited to the Internet. Claim 25, from which claim 26 depends, recites “code to” perform various functions related to the abstract idea. Independent claim 25 recites, among other things, code to: “request identifier data;” “receive said identifier data;” “request content information,” “receive said content information,” “present said content information,” “receive a first user selection,” “transmit payment data,” “receive payment validation data,” “retrieve said selected at least one item of multimedia content,” “read use status data and use rules,” and “evaluate said use status data and use rules.” As discussed above, independent claim 30,

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from which claim 32 depends, includes similar limitations, including as a concluding limitation “code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more retrieved content data items.” The underlying concept of claims 25, 26, 30, and 32, particularly when viewed in light of the ’772 patent specification, is conditioning and controlling access to content based on, for example, payment. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’772 patent specification and the claim language, that each of claims 25, 26, 30, and 32 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional

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functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Apple argues that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13–14. Apple persuades us that claims 25, 26, 30, and 32 of the ’772 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Apple’s rationale that the additional elements of claims 25, 26, 30, and 32 are field of use limitations and/or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 24–29; Reply 4–6.

a. Every claimed hardware component and function was known

Apple argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 24 (citations omitted). Smartflash argues that the challenged claims are patentable because they “are directed to particular devices that can download and store digital

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content into non-volatile memory / a data carrier.” PO Resp. 17. We agree with Apple for the following reasons.

The ’772 patent specification treats as well-known all potentially technical aspects of claims 25, 26, 30, and 32, including “a wireless interface,” “non-volatile memory,” “a program store,” “a processor,” “a user interface,” “a display,” and “code.” *See* Reply 10–11. For example, the specification states the recited “non-volatile memory” may be an EEPROM, the recited “program store” may be a ROM, and the recited “non-volatile memory” may be Flash memory (Ex. 1401, 17:31–36), as found in a standard “smart Flash card” (*id.* at 17:15–24). *See also id.* at 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 18:16–20 (describing components as “conventional”), Figs. 6, 9. Furthermore, the claimed “code” performs generic computer functions, such as requesting, receiving, presenting, reading, and evaluating. Pet. 3, 26–27. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 25, 26, 30, and 32 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on, for example, payment. *See* PO Resp. 29 (citation omitted). As noted above, the ’772 patent specification indicates that the required

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memories may be conventional types of memory. Ex. 1401, 4:7–8, 6:23–25 (stating that “[t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 11:28–37, 14:33–38, 16:55–58, 17:15–24, 17:31–36, 18:16–20 (describing components as “conventional”), Figs. 6, 9. The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Claims 25, 26, 30, and 32 also recite several conventional computer components, including “a wireless interface,” “non-volatile memory,” “a program store,” “a processor,” “a user interface,” and “a display.” *See Pet.* 27–28. We are not persuaded that the recitation of these computer components alone amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”). *Smartflash* does not point to any inventive concept in the ’772 patent related to the way the recited components are constructed or used. As discussed above, the ’772 patent states many claimed components are “conventional,” including the “data access terminal” recited in the preamble of claim 30. Ex. 1401, 4:7–8. Other components specifically described as “conventional” include “a

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processor,” “permanent program memory,” and “timing and control logic,” “all coupled by a data and communications bus.” *Id.* at 18:16–20.

In addition, because the recited elements can be implemented on a general purpose computer, claims 25, 26, 30, and 32 do not cover a “particular machine.” Pet. 31; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 25, 26, 30, and 32 do not transform an article into a different state or thing. *Id.*

Thus, we determine the potentially technical elements of claims 25, 26, 30, and 32 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. Challenged claims are not comparable to DDR Holdings claims

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 25, 26, 30, and 32 are directed to statutory subject matter because the claims are ““rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”” PO Resp. 1, 17 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash contends that

[T]he claims are directed to particular devices that can download and store digital content into non-volatile memory / a data carrier. By using a system that combines on the data carrier both the digital content and use status data / use rules to control access to the digital content when obtaining digital content, the claimed multimedia terminals / data access terminals enable digital content to be obtained effectively and legitimately, including, for example, by allowing or prohibiting access to the downloaded or

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stored content in accordance with rules as required or specified by content rights owners.

Id. at 17.

Apple responds that claims 25, 26, 30, and 32 are distinguishable from the claims in *DDR Holdings*. Reply 6–14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. *DDR Holdings*, 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is that the website visitor is retained on the host website, but is still able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to

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be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Apple that claims 25, 26, 30, and 32 are distinguishable from the claims at issue in *DDR Holdings*. See Reply 6–14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 25, 26, 30, and 32 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’—that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 18 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. See Reply 9–10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. See Ex. 1401, 5:13–16 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1419 ¶ 78); Ex. 1415, 1:13–23 (“Currently, networked computer systems are used to distribute computer software without any usage restrictions or a license fee. A number of ‘try and buy’ systems also exist which enable users to try certain software programs in a limited time period without incurring a license fee.”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on “controlling access [to

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content] based on payment or rules.” *See* Reply 8–19 (citing Ex. 1419 ¶¶ 31, 77–78; Ex. 1408, Abstract, 4:27–35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 10–12. For example, claim 25 of the ’772 patent recites code to: “request identifier data;” “receive said identifier data;” “request content information,” “receive said content information,” “present said content information,” “receive a first user selection,” “transmit payment data,” “receive payment validation data,” “retrieve said selected at least one item of multimedia content,” “read use status data and use rules,” and “evaluate said use status data and use rules.” These limitations, and the other limitations of claims 25, 26, 30, and 32, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258–59).

The claims at issue in *Ulramercial*, like claims 25, 26, 30, and 32, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 25, 26, 30, and 32, the *Ulramercial* claims condition and control access based on viewing an advertisement. *Ulramercial*, 772 F.3d

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at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 25, 26, 30, and 32 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding code to perform routine additional steps such as “read use status data and use rules,” “evaluate said use status data and use rules to determine whether access is permitted” to requested content, and “enable a user to access [content] responsive to said conde to control access permitting access” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 25, 26, 30, and 32 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 25, 26, 30, and 32 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’772 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 13 (quoting Ex. 1401, 5:33–37). Referring to this disclosure, Smartflash argues that:

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By using a system that combines on the handheld multimedia terminal / data access terminal both the digital content and use status data / use rules to control access to the digital content, access control to the digital content can be enforced prior to access to the digital content. By comparison, unlike a system that uses use status data / use rules to control access to the digital content as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period **because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.**

PO Resp. 13–14.

We are not persuaded by Smartflash’s arguments. Apple sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device, was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place, or on the same storage device, does not alter our determination. The concept was well-known and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other

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disabling device which will disable the product at the end of the rental period.” Ex. 1415, Abstract, 10:24–30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 14) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Apple argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 30), “underl[yin]g *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims “do not result in inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 2, 29. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 29 (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing

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alternatives shows that the challenged claims of the '772 patent do not raise preemption concerns. *Id.* at 34–36.

Smartflash's preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See Reply 14–17* (arguing that Smartflash's position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

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The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Apple has shown by a preponderance of the evidence that claims 25, 26, 30, and 32 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash’s Remaining Arguments*

Smartflash also asserts that (1) Apple has already lost its challenge to claims of the ’772 patent, including claims 26 and 32, under § 101 in its

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related district court litigation with Smartflash (PO Resp. 37–39); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the ’772 patent (*id.* at 39); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 39–41); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 41–44). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Smartflash’s reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *See id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 25, 26, 30, and 32 of the ’772 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 25, 26, 30, and 32 of the ’772 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 39; *see* Reply 22–24.

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In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 41 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Apple has established, by a preponderance of the evidence, that claims 25, 26, 30, and 32 of the ’772 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 29), Apple filed an Opposition to Smartflash’s Motion (Paper 31), and Smartflash filed a Reply in support of its motion (Paper 32). Smartflash’s Motion to Exclude seeks to

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exclude (1) Exhibits 1402–08, 1411–19, 1424–30, 1433, 1435, and 1436. Paper 31, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1402

Smartflash seeks to exclude Exhibit 1402—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 29, 1–3; Paper 32, 1–2. Specifically, Smartflash argues that Apple does not need to cite Smartflash’s characterization of the ’772 patent in the complaint because the ’772 patent itself is in evidence. Paper 29, 1–2. Moreover, according to Smartflash, its characterization of the ’772 patent is irrelevant and, even if relevant, cumulative to the ’772 patent itself. *Id.* at 2–3.

Apple counters that it relies on Exhibit 1402 not as evidence of the content of the ’772 patent, but to show that Smartflash’s characterization of the ’772 patent supports Apple’s contention that the ’772 patent is a covered business method patent. Paper 31, 2. Thus, according to Apple, it is highly relevant to the issue of whether the ’772 patent is a covered business method patent. *Id.* Moreover, contends Apple, Smartflash’s characterization of the ’772 patent in another proceeding is not in the ’772 patent itself, and, therefore, Exhibit 1402 is not cumulative to the ’772 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Apple that Exhibit 1402 is offered not for the truth of the matter asserted (i.e., the content of the ’772 patent), but as

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evidence of how Smartflash has characterized the '772 patent. Thus, Smartflash has not persuaded us that Exhibit 1402 is evidence of the content of a writing or that it is cumulative to the '772 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1402 is irrelevant, at least because its characterization of the '772 patent in prior proceedings is relevant to the credibility of its characterization of the '772 patent in this proceeding. Smartflash contends that Exhibit 1402 does not contradict its characterization of the '772 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 32, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Apple notes (Paper 31, 2), Smartflash's characterization of the '772 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '772 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–11).

Accordingly, we decline to exclude Exhibit 1402.

Exhibits 1405, 1424, 1429, 1430, 1433, and 1435

Smartflash seeks to exclude Exhibits 1405, 1424, 1429, 1430, 1433, and 1435 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 29, 3–4; Paper 32, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 29, 4. Smartflash notes that underlying facts and data need

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not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Apple counters that all of these exhibits except Exhibit 1405 (*see* Paper 31, 4 n.2) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 31, 3. Further, contends Apple, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Apple. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1424, 1429, 1430, 1433, and 1435. We grant the motion as to Exhibit 1405.

Exhibits 1403, 1404, 1406–08, 1411–18, 1425–28, and 1436

Smartflash seeks to exclude Exhibits 1403, 1404, 1406–08, 1411–18, 1425–28, and 1436 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 29, 5–8; Paper 32, 2.

Apple counters that all of these exhibits are relevant to our § 101 analysis, and specifically, to whether the challenged claims contain an inventive concept and whether the elements disclosed by the challenged claims were well-known, routine, and conventional. Paper 31, 4–6.

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We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 29, 6, 8. We are not persuaded by Smartflash’s argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1403, 1404, 1406–08, 1411–18, 1425–28, and 1436.

Exhibit 1419

Smartflash moves to exclude Exhibit 1419, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 29, 8–12; Paper 32, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 29, 8–9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the

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principles and methods to the facts of the case.” Paper 29, 10–11; Paper 32, 3.

Apple notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 31, 7 (citation omitted). Apple further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger’s Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the “preponderance of the evidence” standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Apple has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1419 in its entirety, we exclude paragraphs 24–69 and 70–97 from the declaration. Paper 29, 11–12.

Paragraphs 24–69 of the Wechselberger Declaration

Paragraphs 24–69 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted

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proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 11.

Apple counters that Mr. Wechselberger's expert analysis of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibility requires an understanding of the scope of the claimed subject matter. Paper 31, 8 (citations omitted).

We agree with Apple. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 70–97 of the Wechselberger Declaration

Paragraphs 70–97 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 29, 12.

Apple counters that Smartflash's argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to

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opine on the factual issues; and FRE 602 does not apply to a witness's expert testimony. Paper 32, 8–9 (citations omitted).

We are not persuaded by Smartflash's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1419 ¶¶ 2–12, App'x A. We are, therefore, not persuaded by Smartflash's argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. FRE 602 expressly recites that it "does not apply to a witness's expert testimony under Rule 703." Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1419 ¶¶ 77–86, 88–89), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1419 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 25, 26, 30, and 32 of the '772 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibit 1405 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 11
Entered: May 28, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00033
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

CLEMENTS, *Administrative Patent Judge*.

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx512

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INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed a Corrected Petition requesting covered business method patent review of claims 25, 26, 30, and 32 (the “challenged claims”) of U.S. Patent No. 8,336,772 B2 (Ex. 1401, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 5 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 8 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 25, 26, 30, and 32 of the ’772 patent.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds (Pet. 19):

References	Basis	Claims Challenged
Not Applicable	§ 101	25, 26, 30, and 32
Stefik ² , Poggio ³ , Subler ⁴ , and Ahmad ⁵	§ 103	25, 26, 30, and 32

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

² U.S. Patent No. 5,530,235 (Ex. 1412) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1413) (“Stefik ’980”) (collectively, “Stefik”).

³ European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1415) (“Poggio”).

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References	Basis	Claims Challenged
Stefik, Poggio, Subler, Ahmad, and Kopp ⁶	§ 103	25, 26, 30, and 32
Stefik, Poggio, Subler, Ahmad, and Sato ⁷	§ 103	25, 26, 30, and 32
Stefik, Poggio, Subler, Ahmad, Kopp, and Sato	§ 103	25, 26, 30, and 32

Petitioner also provides a declaration from Anthony J. Wechselberger.

Ex. 1419.

C. Related Matters

The parties indicate that the '772 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 14; Paper 6, 3. Patent Owner also indicates that the '772 patent is the subject of two other district court cases: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC, et al. v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.), all pending in the U.S. District Court for the Eastern District of Texas (E.D. Tex.). Paper 10, 4–5.

Petitioner previously filed two Petitions for covered business method patent review of the '772 Patent: CBM2014-00110 and CBM2014-00111. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00110, slip op. at 19 (PTAB Sept. 30, 2014) (Paper 7); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00111,

⁴ U.S. Patent No. 5,646,992 (Ex. 1436) (“Subler”).

⁵ U.S. Patent No. 5,925,127 (Ex. 1403) (“Ahmad”).

⁶ U.S. Patent No. 5,940,805 (Ex. 1404) (“Kopp”).

⁷ JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1417) (“Sato”).

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slip op. at 22 (PTAB Sept. 30, 2014) (Paper 7). Several related patents, which claim priority back to a common series of applications, are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Apple.

Petitioner filed concurrently another two Petitions for covered business method patent review of the '772 patent: CBM2015-00031 and CBM2015-00032. In addition, Petitioner concurrently filed two other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner, which disclose similar subject matter: CBM2015-00028 and CBM2015-00029.

D. The '772 Patent

The '772 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1401, 1:24–28. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the internet without authorization. *Id.* at 1:32–58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the '772 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. The terminal reads payment

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information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:4–7. The ’772 patent makes clear that the actual implementation of these components is not critical and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Illustrative Claims

As noted above, Petitioner challenges claims 25, 26, 30, and 32. Claims 25 and 30 are independent and claims 26 and 32 depend from claims 25 and 30, respectively. Claim 30 is illustrative of the claimed subject matter and is reproduced below:

30. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

a user interface;

a data carrier interface;

a program store storing code implementable by a processor; and

a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to request identifier data identifying one or more content data items available for retrieving;

code to receive said identifier data identifying said one or more content data items available for retrieving;

code to request content information pertaining to at least one of said one or more content data items identified by said identified data;

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code to receive said content information;

code to present said content information to a user via said user interface pertaining to said identified one or more content data items available for retrieving;

code to receive a first user selection selecting at least one of said one or more of said content data items available for retrieving;

code responsive to said first user selection of said selected at least one content data item to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system;

code to receive payment validation data defining if said payment validation system has validated payment for said selected at least one content data item;

code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier;

code to receive a second user selection selecting one of said one or more of said retrieved content data items to access;

code to read use status data and use rules from said data carrier pertaining to said second selected one or more retrieved content data items; and

code to evaluate said use status data and use rules to determine whether access is permitted to said second selected one or more retrieved content data items.

Id. at 30:65–31:42.

ANALYSIS

A. Claim Construction

While Petitioner presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

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B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that claim 30 “expressly recites software to perform data processing and other operations in connection with the recited ‘payment validation system’ [and] thus clearly relates to a financial activity and providing a financial service.” Pet. 9. Based on this record, we agree with Petitioner that the subject matter recited by claim 30 is directed to activities that are financial in nature, namely data access conditioned on payment validation.

Claim 30 recites “code . . . to transmit payment data relating to payment for said selected at least one content item for validation by a payment validation system,” “code to receive payment validation data,” and “code responsive to the payment validation data to retrieve said selected at least one content data item from a data supplier and to write said retrieved at least one content data item into said data carrier.” We are persuaded that payment

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validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the '772 patent, which confirms claim 30's connection to financial activities by stating that the invention "relates to a portable data carrier for storing and paying for data." Ex. 1401, 1:24–25. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1401, 1:62–2:3, 6:64–7:1, 20:59–63.

Patent Owner disagrees that claim 30 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–11. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase "financial product or service" is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a "nexus" to a "financial business," but rather a "method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1). Further, contrary to Patent Owner's view of the legislative history, the legislative history indicates that the phrase "financial product or service" is *not* limited to the products or services of the "financial services industry" and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the "legislative history explains that the definition of covered business method patent was drafted to encompass patents

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‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 30 is not directed to an apparatus or method that is financial in nature because claim 30 “omits the specifics of how payment is made.” Prelim. Resp. 10–11. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that imposes such a requirement. *Id.* We determine that because claim 19 recites payment data and restricting access content based on such payment data, as Patent Owner acknowledges (*id.*), the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’772 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 30 does not fall within § 18(d)(1)’s exclusion for “technological inventions.” Pet. 9–13. In particular, Petitioner argues that claim 30 “does not claim ‘subject matter as a whole [that] recites *a technological feature* that is novel and unobvious over the prior art[] and solves *a technical problem* using *a technical solution*.’” Pet. 9 (quoting 37 C.F.R. § 42.301(b)) (emphases in original). Patent Owner disagrees and argues that claim 30, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 12–13.

We are persuaded that claim 30 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For

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example, claim 30 recites only features such as “user interface,” “data carrier interface,” “program store,” “processor,” and “code.”

In addition, the ’772 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’772 patent states that “there is an urgent need to find a way to address the problem of data piracy,” (*id.* at 1:56–58) while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:37–40). Thus, on this record, we determine that claim 30 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 30 falls within § 18(d)(1)’s exclusion for “technological invention” because it is directed to solving the technological problem of “controlling access to one or more content data items stored on a data carrier, e.g., as part of a convenient, legitimate acquisition of data from a data supplier.” Prelim. Resp. 12. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 30 is a business problem—data piracy. Pet. 12. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1401, 2:14–19. Therefore, based on the particular facts of this proceeding, we conclude that claim 30

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does not recite a technological invention and is eligible for a covered business method patent review.

3. Conclusion

In view of the foregoing, we conclude that the '772 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent review program.

C. Statutory Subject Matter

Petitioner challenges claims 25, 26, 30, and 32 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–31. Patent Owner does not address the merits of this challenge. See Prelim. Resp. 15–17. Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 20–31. Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and controlling access to data/content.” *Id.* at 20.

We agree with Petitioner that, on this record, the challenged claims of the '772 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “handheld multimedia terminal” (claim 25) or a “data access terminal” (claim 30), under § 101. Section 101, however, “contains an important

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implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (quoting *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1298). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’” *Id.* (alteration in original) (quoting *Mayo*, 132 S. Ct. at 1294).

Petitioner contends that each challenged claim is drawn to the concept of controlling access based on payment, a “well-known ‘building block of the modern economy’ and a longstanding ‘method of organizing human activity’ long pre-dating the ’772 patent.” Pet. 23 (quoting *Alice*, 134 S. Ct. at 2356–57). As discussed above, the ’772 patent discusses addressing

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recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1401, 1:33–58. The ’772 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:62–2:7. The ’772 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 2:8–19. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’772 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Petitioner contends that the “challenged claims simply instruct that the abstract ideas of payment for controlling access to data should be implemented in software and refer only to generic computer functions.” Pet.

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26. On this record, we are not persuaded that the recited limitations of the challenged claims, which include, for example, “wireless interface,” “non-volatile memory,” “program store,” “processor,” “display,” “user interface,” “data carrier interface,” and “code” perform functions that are anything other than “purely conventional.” *See Alice*, 134 S. Ct. at 2359. Thus, on this record, we are not persuaded that any of the allegedly technical limitations viewed “both individually and ‘as an ordered combination,’” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297, 1298).

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that challenged claims 25, 26, 30, and 32 are unpatentable under 35 U.S.C. § 101.

Patent Owner argues that Petitioner’s assertion of this ground is untimely because Petitioner “provides no valid reason why it did not raise this purely legal issue as grounds for invalidity in its two prior petitions filed long before [the instant Corrected P]etition.” Prelim. Resp. 16. According to Patent Owner,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its April 3, 2014 petitions encourages Apple’s piecemeal invalidity challenges to Patent Owner’s patent claims and runs afoul of the [Board’s] charge to ‘secure the just, speedy, and inexpensive resolution’ of Apple’s covered business method challenges to the ‘772 Patent.

Id. at 17. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court’s June 19, 2014 decision in *Alice* was decided after Petitioner’s original petitions were filed in March 2014. *Id.* at

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16. Thus, on this record, we are not persuaded that Petitioner's assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Petitioner has established that it is more likely than not that claims 25, 26, 30, and 32 of the '772 patent are unpatentable under 35 U.S.C. § 101.

D. Obviousness Challenges

Petitioner argues that claims 25, 26, 30, and 32 are unpatentable under 35 U.S.C. § 103(a) as obvious over: Stefik, Poggio, Subler, and Ahmad; Stefik, Poggio, Subler, Ahmad, and Kopp; Stefik, Poggio, Subler, Ahmad, and Sato; and Stefik, Poggio, Subler, Ahmad, Kopp, and Sato. Pet. 15, 31–80.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it would prevail in showing that claims 25, 26, 30, and 32 are unpatentable as obvious over any of the proposed obviousness combinations identified

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above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 41–79. Petitioner also has not shown that any of the individual references anticipate the challenged claims. Thus, it is unclear how Petitioner proposes that we do a proper *Graham* analysis to determine that the challenged claims are unpatentable.

We cannot ascertain from the Petition, including the claim charts and the numerous attending footnotes, which disclosure of which prior art reference Apple is referring to as teaching or suggesting each limitation and why such disclosure satisfies the limitation. With respect to independent claim 25, for example, Petitioner cites Stefik for each claim limitation. *Id.* at 42–71. At the same time, Petitioner cites Poggio, Ahmad, Kopp, and/or Subler for thirteen of the nineteen limitations of claim 25. *Id.* With respect to the recited “code to request identifier data identifying one or more items of multimedia content available for retrieving via said wireless interface” in claim 25, for example, Petitioner cites a number of portions of Stefik, as well as portions of Poggio and Subler. *See id.* at 49–51. Petitioner does not allege directly that Stefik alone teaches or renders obvious each limitation, yet, as noted above, Petitioner cites Stefik for each claim limitation. At the same time, Petitioner proposes combining a number of features from Poggio and/or Subler with the teachings of Stefik. *See, e.g., id.* at 44 n.19, 45–46 n.20, 46 n.22, 50 n.26, 51 n.27.

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Petitioner's analysis prevents us from determining what specific teaching is lacking in Stefik (i.e., the differences between the claimed subject matter and Stefik). *See Graham*, 383 U.S. at 17–18. For example, with respect to “a wireless interface configured to interface with a wireless network for communicating with a data supplier,” also recited in claim 25, Petitioner identifies the external interface or I/O port of a repository, such as the PCMCIA interface of a DocuCard (*id.* at 43), and argues that “[t]o the extent that Stefik does not explicitly disclose wireless communications, a POSA would have appreciated and found it obvious to implement Stefik’s media distribution among repositories using wireless communications, and to do so by employing, for the disclosed repository interfaces, wireless interfaces with this capability.” *Id.* at 43–44 n.18. Petitioner also alleges that Sato discloses a radio transceiver. *Id.* at 43–44. Petitioner further contends that it would have been obvious to “implement Stefik’s system of repositories for encouraging the secure distribution of digital media, using Sato’s advantageous explicit teachings of a mobile media device (such as a mobile phone) for accessing such media wirelessly to increase the spread of the content distribution.” *Id.* at 44 n.19. Similarly, Petitioner contends that Poggio discloses “[a] client computer [that] includes an interface (e.g., interconnectivity means; communications interface) to communicate over the network and access the remote system (e.g., VVM)” (*id.* at 45) and argues that “[t]o the extent that Poggio does not explicitly disclose wireless communications, a POSA would have appreciated and found it obvious to implement Poggio’s VVM using wireless communications, and to do so by employing, for the disclosed client computer interfaces, wireless interfaces with this capability.” *Id.* at 45 n.20.

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Nowhere does Petitioner explain any differences between the claimed invention and Stefik. As a result, it is not clear whether Petitioner is alleging that certain claim limitations are taught by Stefik, rendered obvious by Stefik, taught by Poggio, Subler, Ahmad, Kopp, and/or Sato, or rendered obvious in view of Stefik, Poggio, Subler, Ahmad, Kopp, and/or Sato. . Given this ambiguity in the Petition, we cannot ascertain which reference to rely on for any given limitation or why a person of ordinary skill in the art would have found it obvious to combine that particular disclosed subject matter with the subject matter disclosed by the other references.

We are, thus, not persuaded that Petitioner has shown that it is more likely than not that claim 25 would have been obvious over the combination of: Stefik, Poggio, Subler, and Ahmad; Stefik, Poggio, Subler, Ahmad, and Kopp; Stefik, Poggio, Subler, Ahmad, and Sato; or Stefik, Poggio, Subler, Ahmad, Kopp, and Sato. For the same reasons, we are not persuaded that Petitioner has shown more likely than not that claims 26, 30, and 32 would have been obvious over the combination of Stefik, Poggio, and Subler, or the combination of Stefik, Poggio, Subler, and Sato.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 25, 26, 30, and 32 are unpatentable as obvious over: Stefik, Poggio, Subler, and Ahmad; Stefik, Poggio, Subler, Ahmad, and Kopp; Stefik, Poggio, Subler, Ahmad, and Sato; or Stefik, Poggio, Subler, Ahmad, Kopp, and Sato.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that

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Petitioner would prevail in establishing the unpatentability of claims 25, 26, 30, and 32 of the '772 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to claims 25, 26, 30, and 32 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above, the trial commencing on the entry date of this Decision.

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Paper 48
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner

And

GOOGLE INC.,
Petitioner

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 29, 9–11.

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Patent 7,334,720 B2

INTRODUCTION

Apple Inc. (“Apple”), filed a Corrected Petition to institute covered business method patent review of claims 1 and 2 of U.S. Patent No. 7,334,720 B2 (Ex. 1201, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 5 (“Pet.”). On May 28, 2015, we instituted a transitional covered business method patent review (Paper 11) based upon Apple’s assertion that claims 1 and 2 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 27, “Pet. Reply”) to Patent Owner’s Response. We consolidated Google, Inc.’s (“Google”) challenge to claim 1 of the ’720 patent with this proceeding. Paper 29; *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 11) (PTAB Nov. 16, 2015).

In our Final Decision, we determined that Apple had established, by a preponderance of the evidence, that claims 1 and 2 of the ’720 patent are unpatentable. Paper 44 (“Final Dec.”), 3, 31. Smartflash requests rehearing of the Final Decision. Paper 45 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 46 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 47 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 1 and 2 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 4. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any

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particular matter in the record. For example, with respect to Smartflash's arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 1, 16-22.” Request 7 n.3. Similarly, in Smartflash's arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. *See* PO Resp. 15-27” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 21-22; *see also id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash's Request provides new briefing by expounding on arguments already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash's arguments are either new or were addressed in our Final Decision. For example, Smartflash's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 11–13) is new and, therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289 (2012), and *Alice* in its

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Patent Owner Response. *See* PO Resp. 19–22 (Patent Owner Response argues that claims are statutory under only the second step of Mayo and Alice); *see also* Paper 42 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of Mayo and Alice.”), *id.* at 6:17–18 (Petitioner also stating “It . . . also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.,* Req. Reh’g 7 (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 14), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’” (quoting Final Dec. 14)). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 11–15) were addressed at pages 10–20 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 20–22 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 6–10) were addressed at pages 14–17 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T*

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Mobility, LLC., No. 2015–1763, 2016 WL 3514158, *6–*7 (Fed. Cir. June 27, 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6–*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3³ of the ’720 patent as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’720 patent specification treats as well-known and conventional all potentially technical elements of claims 1 and 2, the claimed method steps

³ We note that claim 3 is not at issue in CBM2015-00028. Final Dec. 31.

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perform generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12–13; Notice Resp. 1–2. These limitations of claims 1 and 2 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 17. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information⁴ in the same place or on the same device is an age old practice.” Final Dec. 19. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* (citing Ex. 1215, Abstract, 10:24–30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

⁴ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 1–2; Notice Resp. 2; Final Decision 18–19.

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Paper 44
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

and

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 29, 9–11.

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Patent 7,334,720 B2

INTRODUCTION

A. Background

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 1 and 2 of U.S. Patent No. 7,334,720 B2 (Ex. 1201, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 1 and 2 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 27, “Reply”).

On May 6, 2015, Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1 and 15 of the ’720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3², “Google Pet.”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with Apple’s previously instituted cases.³ CBM2015-00125 (Paper 7, “Google Mot.”). On November 16, 2015, we granted Google’s Petition and consolidated

² We refer to the redacted version of the Petition.

³ Google’s Motion requested that its challenge to claim 1 be consolidated with this case and that its challenge to claim 15 be consolidated with CBM2015-00029. CBM2015-00029, filed by Apple, involves claims 3 and 15 of the ’720 patent. A Final Written Decision in CBM2015-00029 is issued concurrently with this Decision.

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Google's challenge to claim 1 of the '720 patent with this proceeding.⁴
Paper 29; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 42 "Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1 and 2 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1201, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

⁴ For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00028, and refer collectively to Apple and Google as "Petitioner."

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As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

Petitioner challenges claims 1 and 2 of the '720 patent. Claim 1 is independent and claim 2 depends from claim 1. Claims 1 and 2 are reproduced below:

1. A method of controlling access to content data on a data carrier, the data carrier comprising non-volatile data memory storing content memory and non-volatile parameter memory storing use status data and use rules, the method comprising:
receiving a data access request from a user for at least one content item of the content data stored in the non-volatile data memory;
reading the use status data and use rules from the parameter memory that pertain to use of the at least one requested content item;
evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted; and
displaying to the user whether access is permitted for each of the at least one requested content item stored in the non-volatile data memory.

Id. at 26:17–36.

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2. A method as claimed in claim 1 wherein said parameter memory further stores payment data and further comprising selecting one of said use rules dependent upon said payment data.

Id. at 26:36–39.

ANALYSIS

A. *Claim Construction*

Consistent with the statute and the legislative history of the AIA,⁵ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. *Statutory Subject Matter*

Petitioner challenges claims 1 and 2 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 25–38. Petitioner submits a

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

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declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁶ in support of its petition. Ex. 1219.

According to Petitioner, claims 1 and 2 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 25–38. Smartflash argues that claims 1 and 2 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy.” PO Resp. 21 (citation omitted). Specifically, Smartflash asserts that

[T]he claims are directed to a particular method to combat data content piracy on the Internet by providing for legitimate acquisition of content data by transmitting requested data content to the requester after evaluating use status data using use rules to determine whether access to the requested data content is permitted.

Id. at 20.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claims 1 and 2 recite a “process,” e.g., a “method,” under

⁶ In its Response, Smartflash argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 8–15. Because Smartflash has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion, discussed below.

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§ 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships

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(i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 1 and 2 are directed to the abstract idea of “controlling access to content, including based on payment data.” Pet. 25; *see id.* at 28–30. Although Smartflash does not concede, in its Patent Owner Response, that claims 1 and 2 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 19–22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 42 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

We are persuaded that claims 1 and 2 are drawn to an abstract idea. Specifically, claims 1 and 2 are directed to performing the fundamental economic practice of conditioning and controlling access to content, based on, for example, payment. Claim 1 recites “evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted.” Claim 2 recites “selecting one of said use rules dependent upon said payment data.” Furthermore, as discussed above, the ’720 patent discusses addressing

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recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:15–55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The '720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–2:3. The '720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 1 and 2 are not limited to the Internet. Claim 1, from which claim 2 depends, recites “receiving a data access request from a user for at least one content item,” “reading the use status data and use rules [] that pertain to use of the at least one requested content item,” “evaluating the use status data using the use rules to determine whether access to the at least one requested content item [] is permitted,” and “displaying to the user whether access is permitted for each of the at least one requested content item.” As noted above, claim 2 further adds “selecting one of said use rules dependent upon said payment data.” The underlying concept of claims 1 and 2, particularly when viewed in light of the '720 patent specification, is conditioning and controlling access to content, including based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

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We are, thus, persuaded, based on the '720 patent specification and the claim language, that each of claims 1 and 2 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenge claims are either field of use limitations or generic computer implementations, which Petitioner argues are insufficient to bring the claims

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within § 101 patent eligibility. Pet. 29–30. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13–14.

Petitioner persuades us that claims 1 and 2 of the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 1 and 2 are either field of use limitations or generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 29–35; Reply 4–6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 30 (citations omitted). Smartflash argues that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea.” PO Resp. 21–22 (citing Ex. 2049, 19:1–4). We agree with Petitioner for the following reasons.

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The '720 patent specification treats as well-known and conventional all potentially technical aspects of claims 1 and 2, including the “data carrier,” “non-volatile data memory,” and “non-volatile parameter memory.” *See Reply 11*. For example, the specification states the recited “data store” may be a generic device such as a “standard smart card.” Ex. 1201, 11:36–39; *see also id.* at 11:28–30, 14:38–42 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. In addition, the '720 patent specification describes the recited non-volatile “data memory” and “parameter memory” as conventional. *See e.g.*, Ex. 1201, 6:17–19 (stating that [t]he data memory for storing content data may be optic, magnetic or semiconductor memory, but preferably comprises Flash memory.”), 3:64–65, 16:62–65, 18:26–30 (describing components as “conventional”), Fig. 9. Furthermore, to the extent the challenged claims require a computer, the claimed method steps perform generic computer functions, such as receiving, reading, evaluating, and displaying. *See Pet.* 3–4. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat. Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1 and 2 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See PO Resp.* 21–22. Claims 1 and 2 do not recite any

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particular or “distinct memories.” As noted above, the ’720 patent specification indicates that the required memories may be conventional types of memory. To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” See *Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 1 and 2 also recite several generic and conventional data types, including “content data,” “data access request,” “use status data,” “use rules,” and “payment data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’720 patent related to the way the recited data types are constructed or used. In fact, the ’720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 1 and 2 do not cover a “particular

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machine.” Pet. 37–38; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 1 and 2 do not transform an article into a different state or thing. Pet. 37–38.

Thus, we determine the potentially technical elements of claims 1 and 2 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

*b. Challenged claims are not comparable to DDR claim
DDR Holdings*

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 1 and 2 are directed to statutory subject matter because the claims are ““rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”” PO Resp. 5, 20 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash avers that the claims are directed to “a particular method to combat data content piracy on the Internet by providing for legitimate acquisition of content data by transmitting requested data content to the requester after evaluating use status data using use rules to determine whether access to the requested data content is permitted.” *Id.* at 20.

Petitioner responds that claims 1 and 2 are distinguishable from the claims in *DDR Holdings*. Reply 7–14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to

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a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 1 and 2 are distinguishable from the claims at issue in *DDR Holdings*. *See* Reply 7–14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 1 and 2 are “rooted in computer technology in order to overcome a problem specifically

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arising in the realm of computer networks’ — that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 21 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. *See* Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1201, 5:4–7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1219 ¶ 85); Ex. 1206, 1:67–2:9 (“It is an object of this invention to provide a means for selling and distributing protected software using standard telephone lines for transferring the software from the seller to the purchaser. Another object of this invention is to permit the purchaser to rent the protected software for a period of time after which it will self destruct. Another object of this invention is to permit the purchaser to rent the protected software for a specified number of runs”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on conditioning access to content based on payment or rules. *See* Reply 9 (citing Ex. 1219 ¶¶ 33, 84–85; Ex. 1208, Abstract, 4:27–35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 11–14. For example, claim 1 of

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the '720 patent requires “receiving a data access request from a user for at least one content item,” “reading the use status data and use rules [] that pertain to use of the at least one requested content item,” “evaluating the use status data using the use rules to determine whether access to the at least one requested content item [] is permitted,” and “displaying to the user whether access is permitted for each of the at least one requested content item.”

These limitations, and the other limitations of claims 1 and 2, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258–59).

The claims at issue in *Ulramercial*, like claims 1 and 2, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 1 and 2, the *Ulramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in claims 1 and 2 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as “reading the use status data and use rules,” “evaluating the use status data using the use rules to determine whether access” to requested content is permitted, and “displaying to the user whether access is permitted” does not transform an otherwise abstract idea

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into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 1 and 2 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 1 and 2 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’720 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 17 (quoting Ex. 1201, 5:25–29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital content.” *Id.* at 17. Thus, Smartflash concludes that:

[b]y comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.

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Id. at 17–18.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was well-known and conventional, and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1215, Abstract, 10:24–30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 18) (emphasis omitted)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of

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combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 36), “underl[y]ing *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims do not result in “inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling access to content.’” PO Resp. 22. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “‘specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.’” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’720 patent do not raise preemption concerns. *Id.* at 26–28.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative one*: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015).

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Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See Reply 15–16* (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978).

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The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 1 and 2 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash’s Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims of the ’720 patent, including claim 1, under § 101 in its related district court litigation with Smartflash (PO Resp. 28–29); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the ’720 patent (*id.* at 30); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 30–32); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 32–34). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius*

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USA, Inc. v. Baxter Int'l, Inc., 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Smartflash’s reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailaing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *Id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred to by Smartflash preclude our determination of the patentability of claims 1 and 2 of the ’720 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 1 and 2 of the ’720 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 30; *see* Reply 22.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggins v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsothigh v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015)

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(Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 32 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

4. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1 and 2 of the ’720 patent are unpatentable under § 101.

SMARTFLASH’S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 31), Petitioner filed an Opposition to Smartflash’s Motion (Paper 33), and Smartflash filed a Reply in support of its motion (Paper 34). Smartflash’s Motion to Exclude seeks to exclude Exhibit 1202–08, 1211–19, 1224–30, 1233, 1235, and 1236. Paper 31, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1202

Smartflash seeks to exclude Exhibit 1202—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 31, 1–3; Paper 34, 1–2. Specifically,

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Smartflash argues that Petitioner does not need to cite Smartflash's characterization of the '720 patent in the complaint because the '720 patent itself is in evidence. Paper 31, 1–2. Moreover, according to Smartflash, its characterization of the '720 patent is irrelevant and, even if relevant, cumulative to the '720 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1202 not as evidence of the content of the '720 patent, but to show that Smartflash's characterization of the '720 patent supports Petitioner's contention that the '720 patent is a covered business method patent. Paper 33, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '720 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '720 patent in another proceeding is not in the '720 patent itself, and, therefore, Exhibit 1202 is not cumulative to the '720 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the '720 patent), but as evidence of how Smartflash has characterized the '720 patent. Thus, Smartflash has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the '720 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the '720 patent in prior proceedings is relevant to the credibility of its characterization of the '720 patent in this proceeding. Smartflash contends that Exhibit 1202 does not contradict its characterization of the '720 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 31, 3. Smartflash's argument misses the point because the credibility of Smartflash's

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characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 33, 2), Smartflash's characterization of the '720 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '720 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–10).

Accordingly, we decline to exclude Exhibit 1202.

Exhibits 1205, 1224, 1229, 1230, 1233, 1235, and 1236

Smartflash seeks to exclude Exhibits 1205, 1224, 1229, 1230, 1233, 1235, and 1236 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 31, 3–4; Paper 34, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 31, 4. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1205 and 1236 (*see* Paper 33, 4 n.2) were cited in the Wechselberger Declaration as "Materials Reviewed and Relied Upon." Paper 33, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash's reference to FRE 703 is unavailing because while this rule does not establish

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the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1224, 1229, 1230, 1233, and 1235. We grant the motion as to Exhibits 1205 and 1236.

Exhibits 1203–04, 1206–08, 1211–18, 1225–28

Smartflash seeks to exclude Exhibits 1203–04, 1206–08, 1211–18, 1225–28 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 31, 5–8; Paper 34, 2.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, whether the challenged claim contains an inventive concept and whether the elements disclosed by the challenged claim were well-known, routine, and conventional. Paper 33, 4–6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 31, 6, 8. We are not persuaded by Smartflash's argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

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Accordingly, we decline to exclude Exhibits 1203–04, 1206–08, 1211–18, 1225–28.

Exhibit 1219

Smartflash moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 31, 8–11; Paper 34, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 31, 8–9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Paper 31, 10–11; Paper 34, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 33, 7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger’s Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the “preponderance of the evidence” standard in order for the expert opinion to be accorded weight. Under 37

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C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 26–76 and 77–104 from the declaration. Paper 31, 11–12.

Paragraphs 26–76 of the Wechselberger Declaration

Paragraphs 26-76 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402..

Paper 31, 11.

Petitioner counters that Mr. Wechselberger’s expert analyses of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibility requires an understanding of the scope of the claimed subject matter. Paper 33, 8 (citations omitted).

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We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

Paragraphs 77–104 of the Wechselberger Declaration

Paragraphs 77-104 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 31, 11–12. Smartflash acknowledges that FRE 602 does not apply to expert witnesses, but argues that Mr. Wechselberger never states that he is an expert in the subject matter of the challenged claims. Paper 34, 2 n.2.

Petitioner counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness’s expert testimony. Paper 33, 8–9 (citations omitted).

We are not persuaded by Smartflash’s arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1219 ¶¶ 2–12, App’x A. We are, therefore, not persuaded by Smartflash’s argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. As Smartflash acknowledges, FRE 602 expressly recites that it “does not apply to a witness’s expert testimony under Rule 703.” Moreover, the challenged

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testimony relates to, for example, the state of the prior art (Ex. 1219 ¶¶ 84–93, 96–97), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

Accordingly, Smartflash has not persuaded us that Exhibit 1219 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 1 and 2 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibits 1205 and 1236 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 11
Entered: May 28, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
MATTHEW R. CLEMENTS, and GREGG I. ANDERSON,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION
Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx572

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INTRODUCTION

A. Background

Apple Inc. filed a Corrected Petition requesting covered business method patent review of claims 1 and 2 (the “challenged claims”) of U.S. Patent No. 7,334,720 B2 (Ex. 1201, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 5 (“Pet.”).

Smartflash LLC filed a Preliminary Response (Paper 8, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Upon consideration of the Petition and Preliminary Response, we determine that Apple has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1 and 2 of the ’720 patent.

B. Asserted Grounds

Apple argues that the challenged claims are unpatentable based on the following grounds (Pet. 19):

References	Basis	Claims Challenged
Not Applicable	§ 101	1 and 2
Stefik ² and Ahmad ³	§ 103	1
Stefik, Ahmad, and Kopp ⁴	§ 103	1
Stefik, Ahmad, and Maari ⁵	§ 103	1

¹ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

² U.S. Patent No. 5,530,235 (Ex. 1212) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1213) (“Stefik ’980”) (collectively, “Stefik”).

³ U.S. Patent No. 5,925,127 (Ex. 1203) (“Ahmad”).

⁴ U.S. Patent No. 5,940,805 (Ex. 1204) (“Kopp”).

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Stefik, Ahmad, Kopp, and Maari	§ 103	1
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Apple also provides a declaration from Anthony J. Wechselberger.
Ex. 1219.

C. Related Matters

The parties indicate that the '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 18; Paper 6, 3. Smartflash also indicates that the '720 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 6, 3.

Apple previously filed two Petitions for covered business method patent review of the '720 Patent: CBM2014-00104 and CBM2014-00105. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00104, slip op. at 20 (PTAB Sept. 30, 2014) (Paper 9); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00105, slip op. at 21 (PTAB Sept. 30, 2014) (Paper 9). Several related patents, which claim priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Apple. The '720 patent also is the subject of CBM2014-00190, filed by another Petitioner.

Apple filed a concurrent Petition for covered business method patent review of the '720 patent: CBM2015-00029. In addition, Apple concurrently filed three other Petitions for covered business patent review

⁵ JP Patent Application Publication No. H10-269289 (including translation), published October 9, 1998 (Ex. 1228) ("Maari").

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challenging claims of othr patents owned by Smartflash, which disclose similar subject matter: CBM2015-00031, CBM2015-00032, and CBM2015-00033.

D. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

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E. Illustrative Claim

As noted above, Apple challenges claims 1 and 2. Claim 1 is independent and claim 2 depends from claim 1. Claim 1 is illustrative of the claimed subject matter and is reproduced below:

1. A method of controlling access to content data on a data carrier, the data carrier comprising non-volatile data memory storing content memory and non-volatile parameter memory storing use status data and use rules, the method comprising:
receiving a data access request from a user for at least one content item of the content data stored in the non-volatile data memory;
reading the use status data and use rules from the parameter memory that pertain to use of the at least one requested content item;
evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted; and
displaying to the user whether access is permitted for each of the at least one requested content item stored in the non-volatile data memory.

Id. at 26:17–36.

ANALYSIS

A. Claim Construction

While Apple presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the

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practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Apple asserts that claim 2 “explicitly describes storing payment data as well as restricting access to content based on payment, and therefore clearly relates to a financial activity and providing a financial service.” Pet. 12. Based on this record, we agree with Apple that the subject matter recited by claim 2 is directed to activities that are financial in nature, namely “wherein said parameter memory further stores payment data and further comprising selecting one of said use rules dependent upon said payment data,” which is recited in the claim. We are persuaded that storing payment data and restricting access to content based on such payment data is a financial activity, and conditioning data access based on the payment data amounts to a financial service. This is consistent with the Specification of the ’720 patent, which confirms claim 2’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1201, 1:6–7. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1201, 1:46–49, 2:4–19, 3:19–27, 3:50–54, 7:62–8:9, 8:21–35.

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Smartflash disagrees that claim 2 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–10. Smartflash cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Smartflash that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Smartflash proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Smartflash’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Smartflash asserts that claim 2 is not directed to an apparatus or method that is financial in nature because claim 1 “omits the specifics of how payment is made.” Prelim. Resp. 10. We are not

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persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Smartflash point to any other authority that imposes such a requirement. *Id.* We determine that because claim 2 recites storing payment data and restricting access content based on such payment data, as Smartflash acknowledges (*id.*), the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '720 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Apple asserts that claim 2 does not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 13–17. In particular, Apple argues that claim 1 "does not claim 'subject matter as a whole [that] recites a *technological feature* that is novel and unobvious over the prior art[] and solves a *technical problem* using a *technical solution*.'" Pet. 13 (quoting 37 C.F.R. § 42.301(b)) (emphases in original). Smartflash disagrees and argues that claim 2, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 11.

We are persuaded that claim 2 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 1, from which claim 2 depends, recites only features such as "nonvolatile data memory," "parameter memory," and "content memory." Dependent claim 2 adds only that "said parameter memory further stores payment data." The Specification does not indicate, nor does Smartflash provide any support, that these features are not novel and nonobvious. Furthermore, even assuming claim 2 requires a "data carrier," the

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Specification discloses, for instance, that a portable data carrier may be a “standard smart card.” *See* Ex. 1201, 11:36–39.

In addition, the ’720 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’720 patent states that “there is an urgent need to find a way to address the problem of data piracy,” (*id.* at 1:40–41) while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:38–41). Thus, we determine that claim 2 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48, 756 48,764 (Aug. 14, 2012).

Smartflash also argues that claim 2 falls within § 18(d)(1)’s exclusion for “technological invention” because it is directed to solving the technological problem of “controlling access, according to access rules, to data (retrieved from a data supplier) stored on the data carrier” with the technological solution of “(1) reading use status data and use rules from parameter memory that pertain to use of a requested content item (2) evaluating the use status data using the use rules to determine whether access to the requested content item stored in the content memory is permitted.” Prelim. Resp. 11–12. We are not persuaded by this argument because, as Apple argues, the problem being solved by claim 2 is a business problem—data piracy. Pet. 16–17. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet

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without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1201, 1:66–2:3. Therefore, based on the particular facts of this proceeding, we conclude that claim 2 does not recite a technological invention and is eligible for a covered business method patent review.

3. Conclusion

In view of the foregoing, we conclude that the ’720 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent review program.

C. 35 U.S.C. § 101

Apple challenges claims 1 and 2 as being directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 24–36. Smartflash does not address the merits of this challenge. *See* Prelim. Resp. 19. Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int’l*, 134 S.Ct. 2347 (2014), Apple asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. Pet. 25–38. Specifically, Apple argues that the challenged claims are directed to the abstract idea of “controlling access to content, including based on payment data.” *Id.* at 25.

We agree with Apple that, on this record, the challenged claims of the ’720 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites a “process,” i.e., a

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“method of controlling access to content data on a data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S.Ct. at 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S.Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S.Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S.Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S.Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S.Ct. at 1294).

Apple contends that each challenged claim is drawn to the concept of controlling access based on payment, a “well known ‘building block of the modern economy’ and a longstanding ‘method of organizing human activity’

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long pre-dating the '720 Patent.” Pet. 29. As discussed above, the '720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:26–41. The '720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–1:59. The '720 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:60–2:3. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (brackets in original) (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S.Ct. at 1297. On this record, we are not persuaded that the challenged claims of the '720 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

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Apple contends that the “challenged claims simply instruct that the abstract ideas of payment for controlling access to data should be implemented in software and refer only to generic computer functions.” Pet. 31. On this record, we are not persuaded that the recited limitations of the challenged claims, which include, for example, “receiving,” “reading,” “evaluating,” “displaying,” “nonvolatile data memory,” “parameter memory,” “content memory,” and “said parameter memory further stores payment data,” perform functions that are anything other than “purely conventional.” *See Alice*, 134 S.Ct. at 2359. Thus, on this record, we are not persuaded that any of the allegedly technical limitations viewed “both individually and ‘as an ordered combination,’” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S.Ct. at 2355 (quoting *Mayo*, 132 S.Ct. at 1297, 1298).

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Apple has demonstrated that it is more likely than not that challenged claims 1 and 2 are unpatentable under 35 U.S.C. § 101.

Smartflash argues that Apple’s assertion of this ground is untimely because Apple “provides no valid reason why it did not raise this purely legal issue as grounds for invalidity in its two prior petitions filed long before [the instant Corrected Petition].” Prelim. Resp. 15–16. According to Smartflash,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its March 31, 2014 petitions encourages Apple’s piecemeal invalidity challenges to Patent Owner’s patent claims and runs afoul of the [Board’s] charge to ‘secure the just, speedy, and inexpensive resolution’

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of Apple's covered business method challenges to the '720 Patent.

Id. at 16. Smartflash, however, cites no statutory or regulatory authority precluding Apple from asserting this ground. Moreover, Smartflash acknowledges that the Supreme Court's June 19, 2014 decision in *Alice* was decided after Apple's original petitions were filed in March 2014. *Id.* at 15–16. Thus, on this record, we are not persuaded that Apple's assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Apple has established that it is more likely than not that claims 1 and 2 of the '720 patent are unpatentable under 35 U.S.C. § 101.

D. Obviousness Challenges

Apple argues that claim 1 is unpatentable under 35 U.S.C. § 103(a) as obvious over: Stefik and Ahmad; Stefik, Ahmad, and Kopp; Stefik, Ahmad, and Maari; and Stefik, Ahmad, Kopp, and Maari. Pet. 19.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

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After carefully considering the Petition and Preliminary Response, we determine that Apple has not shown that it is more likely than not that it would prevail in showing that claims 1 and 2 are unpatentable as obvious over any of the proposed obviousness combinations identified above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Apple has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 49–75. Apple also has not shown that any of the individual references anticipate the challenged claims. Thus, it is unclear how Apple proposes that we do a proper *Graham* analysis to determine that the challenged claims are unpatentable.

We cannot ascertain from the Petition, including the claim charts and the numerous attending footnotes, which disclosure of which prior art reference Apple is referring to as teaching or suggesting each limitation and why such disclosure satisfies the limitation. With respect to independent claim 1, for example, Apple cites Stefik for each claim limitation. *Id.* at 50–75. At the same time, Apple cites Ahmad, Kopp, and/or Maari for a majority of the limitations of claim 1. *Id.* With respect to the recited “use status data,” “use rules,” and “evaluating the use status data using the use rules” in claim 1, for example, Apple cites a number of portions of Stefik in the Petition’s claim chart, as well as portions of Ahmad and Kopp. *See id.* at 61–70. Apple does not allege directly that Stefik alone teaches or renders obvious each limitation, yet, as noted above, Apple cites Stefik for each claim limitation. At the same time, Apple proposes combining a number of

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features from Ahmad and/or Kopp with the teachings of Stefik. *Id.* at 42–46, 64 n.47, 65 n.49.

Moreover, in the “Motivation to Combine Stefik with Ahmad” section (*id.* at 42–44), Apple alleges that both Stefik and Ahmad “aim to enforce usage restrictions tied to content in order to prevent unauthorized access” and “[t]he teachings of Stefik and Ahmad render obvious various limitations of challenged claim 1, including ‘use status data,’ ‘use rules,’ and ‘evaluating the use status data using the use rules to determine whether access . . . is permitted.’” Pet. 44. Apple notes that “the data usage controlling system taught by the combination of Stefik and Ahmad” teaches these limitations. *Id.* Similarly, in the “Motivation to Combine Stefik with Ahmad and Kopp” section (*id.* at 44–46), Apple indicates that “[t]he teachings of Stefik, Ahmad, and Kopp render obvious various limitations of challenged claim 1, including ‘use status data,’ ‘use rules,’ and ‘evaluating the use status data using the use rules to determine whether access is permitted’” (*id.* at 46). Apple notes that “the data usage controlling system taught by the combination of Stefik and Ahmad in view of Kopp” teaches these limitations. *Id.*

Apple’s analysis prevents us from determining what specific teaching is lacking in Stefik, for example (i.e., the differences between the claimed subject matter and Stefik). *See Graham*, 383 U.S. at 17–18. Apple’s claim charts, nor the numerous footnotes referenced therein, make clear the differences between the claimed subject matter and cited references. For example, with respect to “use status data” and “use rules,” the claim chart for claim 1 identifies various “usage rights” in Stefik (*id.* at 54–55, 61–62), and Apple contends that “[t]hese rules . . . disclosed in Stefik include some

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of the same examples of content rules disclosed in the '720 patent.” *Id.* at 55, n.29. The claim chart, however, also alleges that Ahmad discloses a “software monitor and check-in/check-out modules” that store “use rules.” *Id.* at 58, n.34. Apple further contends that it would have been obvious “to implement Stefik’s repository configuration using Ahmad’s advantageous teachings of time-limiting rental restrictions.” *Id.* at 57, n.33. Similarly, Apple contends that “Kopp also expressly discloses storing use rules” (*id.* at 59, n.36) and that it would have been obvious “to implement the content access control system taught by Stefik and Ahmad using Kopp’s advantageous teachings of utilization limitations.” *Id.* at 59–60, n.38.

Nowhere does Apple explain any differences between the claimed invention and Stefik. As a result, it is not clear, for example, whether Apple is alleging that certain claim limitations are taught by Stefik, rendered obvious by Stefik, taught by Ahmad, Kopp, and/or Maari, or rendered obvious in view of Stefik, Ahmad, Kopp, and/or Maari. Given this ambiguity in the Petition, we cannot ascertain which reference to rely on for any given limitation or why a person of ordinary skill in the art would have found it obvious to combine that particular disclosed subject matter with the subject matter disclosed by the other references.

We are, thus, not persuaded that Apple has shown that it is more likely than not that claim 1 would have been obvious over the combination of Stefik and Ahmad, the combination of Stefik, Ahmad, and Kopp, the combination of Stefik, Ahmad, and Maari, or the combination of Stefik, Ahmad, Kopp, and Maari.

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Conclusion

On this record, Apple has not established that it is more likely than not that claim 1 is unpatentable as obvious over: Stefik and Ahmad; Stefik, Ahmad, and Kopp; Stefik, Ahmad, and Maari; or Stefik, Ahmad, Kopp, and Maari. For the same reasons, we are not persuaded that Apple has shown more likely than not that dependent claim 2 would have been obvious over: Stefik and Ahmad; Stefik, Ahmad, and Kopp; Stefik, Ahmad, and Maari; or Stefik, Ahmad, Kopp, and Maari.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Apple would prevail in establishing the unpatentability of claims 1 and 2 of the '720 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted as to claims 1 and 2 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial on the grounds of unpatentability authorized above, the trial commencing on the entry date of this Decision.

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Paper 29
Entered: November 16, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00125
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, and
MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

ELLURU, *Administrative Patent Judge*.

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx591

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Patent 7,334,720 B2

I. INTRODUCTION

Google Inc. (“Google” or “Petitioner Google”) filed a Petition requesting covered business method patent review of claims 1 and 15 (the “challenged claims”) of U.S. Patent No. 7,334,720 (Ex. 1001, “the ’720 patent”) (“Pet.,” Paper 3, 3¹). Smartflash LLC (“Smartflash”) filed a Preliminary Response (“Prelim. Resp.,” Paper 9).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

On June 29, 2015, Google filed a Motion for Joinder (Paper 7, 1), seeking to consolidate this case with earlier-filed petitions for covered business method patent reviews of the ’720 patent in *Apple Inc. v. Smartflash, LLC*, CBM2015-00028 and CBM2015-00029 (collectively, the “Apple CBM Proceedings,” and “Petitioner Apple” when the Petitioner in those reviews is referenced), which were instituted on May 28, 2015. *See Apple Inc. v. Smartflash, LLC*, Case CBM2015-00028, slip. op. at 18 (PTAB May 28, 2015 (Paper 11) (instituting review of claims 1 and 2 of the ’720 patent under 35 U.S.C. § 101); and *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00029, slip. op. at 19 (Paper 11) (instituting review of claims 3 and 15 of the ’720 patent under 35 U.S.C. § 101).

¹ Google filed two versions of the Petition: Paper 1, which is sealed and accessible to the parties and Board only, and Paper 3, which is a public version of the Petition containing a small portion of redacted text. For purposes of this Decision, we refer only to the public version of the Petition.

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Smartflash filed an Opposition to Samsung's Motion for Joinder.
Paper 8 ("Opp.").

For the reasons explained below, we institute a covered business
method patent review of claims 1 and 15 of the '720 patent and grant
Google's Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND AS THOSE ASSERTED IN THE APPLE CBM PROCEEDINGS

In view of the identity of the challenges in the instant Petition and
those of the institutions in each of CBM2015-00028 and CBM2015-00029,
we determine that it is more likely than not that Google will prevail in
demonstrating that the claims challenged in Google's present petition are
unpatentable.

Smartflash reiterates arguments in support of its position that the '720
patent is ineligible for covered business method patent. *See* Prelim. Resp.
28–34. We previously have determined that the '720 patent contains at least
one claim that is eligible for covered business method patent review. AIA
§ 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2015-00028, Paper 11,
5–10 (determining that the '720 patent is eligible for covered business
method patent review based on claim 2); CBM2015-00029, Paper 11, 6–12
(determining that the '720 patent is eligible for covered business method
patent review based on claim 14); *Samsung Electronics America, Inc. v.*
Smartflash LLC, Case CBM2014-00190, slip. op. at 7–11 (PTAB April 2,
2015) (Paper 9) (determining that the '720 patent is eligible for covered
business method patent review based on claim 14). *See* Transitional
Program for Covered Business Method Patents—Definitions of Covered

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Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8) (A patent need have only one claim directed to a covered business method to be eligible for review).

Smartflash’s arguments in the present preliminary response do not alter our determination. For example, Apple again argues that AIA § 18(d)(1) should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 30–32. The Federal Circuit has expressly determined, however, that “the definition of ‘covered business method patent’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions, such as banks and brokerage houses.” *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015). Rather, “it covers a wide range of finance-related activities.” *Id.*

Furthermore, we have reviewed Smartflash’s present preliminary response and are not persuaded that we should deny institution of the present petition. For example, in support of its argument that the challenged claims are directed to statutory eligible subject matter, Smartflash relies heavily on *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), a decision that issued before we instituted each of the Apple CBM proceedings. *See* Prelim. Resp. at 10–13. Smartflash also argues that the challenged claims do not result in inappropriate preemption (Prelim. Resp. 13–22) and alleges that “[t]he existence of a large number of non-infringing alternatives shows that the claims of the ’720 patent do not raise preemption concerns” (Prelim. Resp. 17–19). The Federal Circuit, however, has recently acknowledged that “questions on preemption are inherent in and

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resolved by the § 101 analysis.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). The Federal Circuit further stated,

While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility. In this case, Sequenom’s attempt to limit the breadth of the claims by showing alternative uses of cffDNA outside of the scope of the claims does not change the conclusion that the claims are directed to patent ineligible subject matter. Where a patent’s claims are deemed only to disclose patent ineligible subject matter under the Mayo framework, as they are in this case, preemption concerns are fully addressed and made moot.

Id. (emphasis added).

Smartflash further asserts that (1) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (Prelim. Resp. 23–24); (2) invalidating patent claims via covered business method patent review is unconstitutional (*id.* at 24–25); and (3) section 101 is not a ground that may be raised in a covered business method patent review (*id.* at 26–28). For the following reasons, we are not persuaded by these arguments.

As an initial matter, Smartflash does not provide any authority for its assertion that “[t]he question of whether the challenged claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” *Id.* at 23.

Smartflash also argues that invalidating patent claims via covered business method patent review “violates the Separation of Powers doctrine of the United States Constitution” (*id.* at 24). We decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies

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do not have jurisdiction to decide the constitutionality of congressional enactments.” See *Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); see also *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); but see *American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 26 n.1 (quoting *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1330 (Fed. Cir. 2015)). We conclude that our review of the issue of § 101 here is proper.

Accordingly, we institute a covered business method patent review in this proceeding on the same ground, namely § 101, as that on which we instituted in the Apple CBM proceedings for claims 1 and 15 of the ’720 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

Smartflash opposes Samsung’s request to consolidate the present petition with the Apple CBM proceedings. Paper 8. Smartflash opposes consolidation for the following reasons: “(i) it is too late for the proposed

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joinder to provide the purported efficiencies Petitioner suggests; (ii) the cases are sufficiently different in terms of proffered exhibits and witnesses to gain any advantage by joinder; and (iii) the Board should exercise its discretion under 35 U.S.C. § 325(d) and decline to institute a covered business method patent review of claims 1 and 15 of U.S. Patent 7,334,734 on 35 U.S.C. § 101 grounds in CBM2015-00125 because it has already instituted covered business method review of those claims on the same grounds in CBM2015-00028 and -00029.” *Id.* at 1.

We are not persuaded by Smartflash’s argument. Smartflash contends that it is too late for the proposed consolidation to provide efficiencies because the Apple CBM proceedings have proceeded through Patent Owner discovery with Patent Owner’s Response being filed on July 29, 2015, and Apple’s proposed schedule for consolidation is “impractical.” *Opp.* 2–3. To address this concern, however, we determine that the Scheduling Order in place for CBM2015-00028 and CBM2015-00029 shall govern the consolidated proceedings. Smartflash next argues that there is not complete overlap in exhibits and witnesses relied upon by Google and the record in the Apple CBM proceedings. *Id.* at 4–5. Thus, contends Smartflash, “[consolidation] would force Patent Owner to respond to different sets of evidence simultaneously, on a compressed schedule, and in more limited space.” *Id.* at 5.

However, Google acknowledges that to the extent we determine that “incorporating Google’s arguments and evidence in the Apple CBMs would complicate the schedules, Google requests [consolidation] as to Apple’s petitions so that Google can, at minimum, ensure that the proceedings on the challenged claims continue in the event Apple settles or otherwise

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terminates the proceedings.” Mot. 8–9. To address Smartflash’s concerns, trial will proceed on the basis of the argument and evidence presented by Petitioner Apple in each of the Apple CBM proceedings without submission of additional evidence from Petitioner Google. Any additional evidence, papers, and briefing filed on behalf of Petitioner Apple and Petitioner Google in the consolidated proceedings shall be filed by Petitioner Apple, as a consolidated filing, unless we provide authorization otherwise, as noted below. Furthermore, Petitioner Apple will argue on behalf of Petitioners at the oral hearing, if any, for these consolidated cases. Lastly, Smartflash argues that we should exercise our discretion under 35 U.S.C. § 325(d) by declining to institute a review in the instant case because we have already instituted review of the same challenged claims “on the same purely legal § 101 grounds in” the Apple CBM proceedings. Opp. 6. We decline to exercise our discretion under § 325(d) because we consolidate these proceedings based on the same schedule, evidence, and argument proffered in the Apple CBM proceedings.

As noted above, we instituted the Apple CBM proceedings on May 28, 2015. Google filed the instant petition on May 6, 2015, and its Motion for Joinder was filed on June 29, 2015. Mot. 2; Paper 7. Thus, Google’s request satisfies the requirement that the consolidation request be made no later than one month after the institution date of the Apple CBM proceedings. *See* 35 U.S.C. § 325(c) and 37 C.F.R. §§ 42.22 and 42.222(b); Fed. R. Civ. P. 6(a). As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is a challenge to claims 1 and 15 of the ’720 patent based on § 101. Google, thus, does not assert any new ground of unpatentability that is not already

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being considered in the Apple CBM proceedings. Mot. 7. Under the circumstances, we conclude Google has demonstrated that consolidation will not unduly complicate or delay the Apple CBM proceedings, and therefore, we grant Google's Motion for Joinder to consolidate this proceeding with each of the Apple CBM proceedings, CBM2015-00028 and CBM2015-00029, as follows. We consolidate Google's challenge to claim 1 based on § 101 to CBM2015-00028, and Google's challenge to claim 15 based on § 101 to CBM2015-00029. All filings in the consolidated proceedings will be made by Petitioner Apple in each of the Apple CBM proceedings. Petitioner Google shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Petitioner Google shall not seek any additional discovery beyond that sought by Petitioner Apple. Petitioner Apple and Petitioner Google shall resolve any disputes between them concerning the conduct of the consolidated proceedings and shall contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation. In consideration of the above, we institute a covered business method patent review in CBM2015-00125 and grant Petitioner's Google's motion to consolidate this proceeding with each of the Apple CBM proceedings as stated above.

ORDER

For the reasons given, it is:

ORDERED that the challenge to claims 1 and 15 in CBM2015-00125 is instituted;

FURTHER ORDERED that Google's challenge to claim 1 based on § 101 is consolidated with CBM2015-00028;

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FURTHER ORDERED that Google's challenge to claim 15 based on § 101 is consolidated with CBM2015-00029;

FURTHER ORDERED that the grounds on which CBM2015-00028 and CBM2015-00029 were instituted are unchanged, and no other grounds are instituted in the consolidated proceeding;

FURTHER ORDERED that the Scheduling Order in place for CBM2015-00028 and CBM2015-00029 shall govern the consolidated proceedings;

FURTHER ORDERED that the record in each of the Apple CBM proceedings will remain unchanged;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Petitioner Apple, as a single, consolidated filing on behalf of Petitioner Apple and Petitioner Google, and Petitioner Apple will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Petitioner Apple will conduct cross-examination and other discovery on behalf of Petitioner Apple and Petitioner Google and that Patent Owner is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00125 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceedings are to be made in each of CBM2015-00028 and CBM2015-00029;

FURTHER ORDERED that a copy of this Decision will be entered into the records of CBM2015-00028 and CBM2015-00029; and

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FURTHER ORDERED that the case caption in each of CBM2015-00028 and CBM2015-00029 shall be changed to reflect consolidation with this proceeding in accordance with the attached examples.

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Patent 7,334,720 B2

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Patent 7,334,720 B2

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC. and APPLE INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00028¹
Patent 7,334,720 B2

¹ CBM2015-00125 has been consolidated with this proceeding.

CBM2015-00029
Patent 7,334,720 B2

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE INC. and APPLE INC.
Petitioner,

v.

SMARTFLASH LLC
Patent Owner.

Case CBM2015-00029¹
Patent 7,334,720 B2

¹ CBM2015-00125 has been consolidated with this proceeding.

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Paper 47
Entered: August 23, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner

And

GOOGLE INC.,
Petitioner

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 28, 9–11.

CBM2015-00029
Patent 7,334,720 B2

INTRODUCTION

Apple Inc. (“Apple”), filed a Corrected Petition to institute covered business method patent review of claims 3 and 13–15 of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 5 (“Pet.”). On May 28, 2015, we instituted a transitional covered business method patent review based upon Apple’s assertion that claims 3 and 15 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 11, 19. Subsequent to institution, Smartflash LLC (“Smartflash”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Apple filed a Reply (Paper 26, “Pet. Reply”) to Patent Owner’s Response. We consolidated Google, Inc.’s (“Google”) challenge to claim 15 of the ’720 patent with this proceeding. Paper 28, 10; *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 11) (PTAB Nov. 16, 2015).

In our Final Decision, we determined that Petitioners Apple and Google had established, by a preponderance of the evidence, that claims 3 and 15 of the ’720 patent are unpatentable. Paper 43 (“Final Dec.”), 3, 33. Smartflash requests rehearing of the Final Decision. Paper 44 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 45 (“Notice”). Apple and Google filed a Response to Smartflash’s Notice. Paper 46 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 3 and 15 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 4–5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and *Enfish, LLC v. Microsoft Corp.*, No. 2015-2044 (Fed. Cir. May 12, 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “*specifically* identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any

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particular matter in the record. For example, with respect to Smartflash's arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 1, 16-22.” Request 7 n.3. Similarly, in Smartflash's arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. *See* PO Resp. 15-27” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 21-22; *see also id.* at 4-9” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash's Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Smartflash's arguments are either new or were addressed in our Final Decision. For example, Smartflash's argument that the challenged claims are not directed to an abstract idea (Req. Reh'g 10–12) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. *See* PO Resp. 15–22 (Patent Owner Response argues that claims

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are statutory under only the second step of Mayo and Alice); *see also* Paper 41 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of Mayo and Alice.”), *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 7 (citing Final Dec. 14) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 14), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 10–15) were addressed at pages 11–21 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 21–24 of our final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 7–10) were addressed at pages 16–19 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, *6-*7 (Fed. Cir. June 27, 2016) as follows:

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The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the ’720 patent as an example, Smartflash contends that the challenged claims “describ[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; and (3) access rules supplied by the data supplier – thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Written Decision and Petitioners argue, the ’720 patent specification treats as well-known and conventional all potentially technical elements of claims 3 and 15, the claimed method steps perform generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12–15; Notice Resp. 1–2. These limitations of claims 3 and 15 “do not yield a result that overrides the routine and conventional manner in which this technology operates.” Final Dec. 18.

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Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 2016 WL 3514158, at *6, *7. Also, “[t]he concept of storing two different types of information³ in the same place or on the same device is an age old practice.” Final Dec. 20. For example, “the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as ‘a time bomb or other disabling device which will disable the product at the end of the rental period.’” *Id.* (citing Ex. 1315, Abstract, 10:24–30).

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Written Decision addresses *DDR Holdings*.

ORDER

Accordingly, it is:

ORDERED that Smartflash’s Rehearing Request is *denied*.

³ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2–3; Notice Resp. 2; PO Resp. 13; Final Decision 19–20.

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Paper 43
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

and

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 28, 9–11.

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INTRODUCTION

A. Background

Petitioner Apple Inc. (“Apple”) filed a Corrected Petition to institute covered business method patent review of claims 3 and 13–15 of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 5 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). On May 28, 2015, we instituted a covered business method patent review (Paper 11, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 3 and 15 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Apple filed a Reply (Paper 26, “Reply”).

On May 6, 2015, Google Inc. (“Google”) filed a Petition to institute covered business method patent review of claims 1 and 15 of the ’720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3², “Google Pet.”). On June 29, 2015, Google filed a “Motion for Joinder” of its newly filed case with Apple’s previously instituted cases.³ CBM2015-00125 (Paper 7, “Google Mot.”). On November 16, 2015, we granted Google’s Petition and consolidated

² We refer to the redacted version of the Petition.

³ Google’s Motion requested that its challenge to claim 15 be consolidated with this case and that its challenge to claim 1 be consolidated with CBM2015-00028. CBM2015-00028, filed by Apple, involves claims 1 and 2 of the ’720 patent. A Final Written Decision in CBM2015-00028 is issued concurrently with this Decision.

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Google's challenge to claim 15 of the '720 patent with this proceeding.⁴
Paper 28; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 41, "Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3 and 15 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1301, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

⁴ For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00029, and refer collectively to Apple and Google as "Petitioner."

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As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

We instituted a review of Petitioner’s challenges to claims 3 and 15 of the '720 patent. Claim 3 is independent and claim 15 depends from claim 14⁵. Claims 3, 14, and 15 are reproduced below:

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code; and
 - a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

⁵ We instituted a review of claims 13 and 14 of the '720 patent under § 101 in CBM2014-00190. *Samsung Electronics. v. Smartflash LLC*, Case CBM2015-00190 (Paper 9, 18). A Final Written Decision in CBM2014-00190 is issued concurrently with this Decision.

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code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1301, 26:41–67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier;

writing the retrieved data into the data carrier;

receiving at least one access rule from the data supplier;

and

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

15. A method of providing data from a data supplier according to claim 14 further comprising:

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receiving payment validation data from the payment validation system; and

transmitting at least a portion of the payment validation data to the data supplier.

Id. at 28:21–26.

ANALYSIS

A. *Claim Construction*

Consistent with the statute and the legislative history of the AIA,⁶ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. *Statutory Subject Matter*

Petitioner challenges claims 3 and 15 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19–30. Petitioner submits a

⁶ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

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declaration from Anthony J. Wechselberger (“Wechselberger Declaration”)⁷ in support of its petition. Ex. 1319.

According to Petitioner, claims 3 and 15 are directed to an abstract idea and do not disclose an “inventive concept” that is “significantly more” than the abstract idea. Pet. 19–30. Smartflash argues that claims 3 and 15 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy.” PO Resp. 17 (citation omitted). Specifically, Smartflash asserts that “the claims are directed to a particular device and method that can download and store digital content into a data carrier.” *Id.*

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claim 3 recites a “machine” (“a data access terminal”), and claim 15 recites a “process” (“[a] method”), under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not

⁷ In its Response, Smartflash argues that the Wechselberger Declaration should be given little or no weight. PO Resp. 8–15. Because Smartflash has filed a Motion to Exclude that includes a request to exclude the Wechselberger Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion, discussed below.

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patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 (“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the

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“concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 3 and 15 are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 19; *see id.* at 20–23. Although Smartflash does not concede, in its Patent Owner Response, that claims 3 and 15 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 15–22 (Patent Owner Response argues that claims are statutory under only the second step of *Mayo* and *Alice*); *see also* Paper 41 (transcript of oral hearing), 6:13–16 (Petitioner stating that “Patent Owner has presented no argument whatsoever to contest that its claims are directed to abstract ideas under the first prong of *Mayo* and *Alice*.”) *id.* at 6:17–18 (Petitioner also stating “It [] also never disputed the articulation of those abstract ideas”).

We are persuaded that claims 3 and 15 are drawn to an abstract idea. Specifically, claims 3 and 15 are directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. Claim 3 recites “code . . . to receive at least one access rule . . . the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Independent claim 14, not at issue here, recites a similar limitation. Claim 15, depending from claim 14, further recites “receiving payment validation data . . . and transmitting at least a portion of the payment validation data to the data supplier.”

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Furthermore, as discussed above, the '720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:15–55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The '720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–2:3. The '720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 3 and 15 are not limited to the Internet. Claim 3 recites “code” “to read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier,” and

responsive to the payment validation data to receive at least one access rule . . . write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Claim 14, from which claim 15 depends, recites “reading payment data from the data carrier,” “forwarding the payment data to a payment validation

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system,” “retrieving data from the data supplier,” “writing the retrieved data into the data carrier,” “receiving at least one access rule from the data supplier,” “writing the at least one access rule into the data carrier,” and “writing the at least one access rule into the data carrier . . . specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the amount of payment associated with the payment data.” As noted above, claim 15 further adds “receiving . . . and transmitting at least a portion of the payment validation data to the data supplier.” The underlying concept of claims 3 and 15, particularly when viewed in light of the ’720 patent specification, is conditioning and controlling access to content based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the ’720 patent specification and the claim language, that each of claims 3 and 15 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea

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while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that the challenged claims do not disclose an “inventive concept” because any additional features recited in the challenge claims are either field of use limitations or generic computer implementations, which Petitioner argues are insufficient to bring the claims within § 101 patent eligibility. Pet. 23–28. Specifically, Petitioner contends that the challenged claims “recite no more than generic computer elements and functions that were well-known, routine, and conventional to a POSITA at the time of filing.” Reply 6 (citations omitted); *see id.* at 13–14.

Petitioner persuades us that claims 3 and 15 of the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 3 and 15 are either field of use limitations or

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generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 23–28; Reply 4–6.

a. Every claimed hardware component and function was known

Petitioner argues that the challenged claims are unpatentable because they are “directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional, activity.’” Pet. 23 (citations omitted). Smartflash argues that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea.” PO Resp. 21 (citing Ex. 2049, 19:1–4). We agree with Petitioner for the following reasons.

The ’720 patent specification treats as well-known and conventional all potentially technical aspects of claims 3 and 15, including the recited “data access terminal” (preamble of claim 3), “data supplier,” “data carrier,” and “payment validation system.” See Reply 11. For example, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data access device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” Ex. 1301, 4:4–5, 16:46–50, 18:7–11. In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” *Id.* at 11:36–39; *see also id.* at 14:38–42 (“Likewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices

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and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142.”), Fig. 6. The specification further indicates that that the “payment validation system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:12–17, 13:46–48 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code in claim 3 performs generic computer functions, such as reading, forwarding, receiving, retrieving and writing. *See* Pet. 25–28; Reply 11. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 3 and 15 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 21. Claims 3 and 15 do not require any particular or “distinct memories.” As noted above, the ’720 patent specification indicates that the required memories may be conventional types of memory. To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic

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memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 3 and 15 also require several generic and conventional data types, including “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” and “access rule.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original). Smartflash does not point to any inventive concept in the ’720 patent related to the way the recited data types are constructed or used. In fact, the ’720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 3 and 15 do not cover a “particular machine.” Pet. 30; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 3 and 15 do not transform an article into a different state or thing. Pet. 30.

Thus, we determine the potentially technical elements of claims 3 and 15 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

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*b. Challenged claims are not comparable to DDR claim
DDR Holdings*

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 3 and 15 are directed to statutory subject matter because the claims are ““rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”” PO Resp. 17 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Specifically, Smartflash avers that the claims are directed to “a particular device and method that can download and store digital content into a data carrier.” *Id.* at 17.

Petitioner responds that claims 3 and 15 are distinguishable from the claims in *DDR Holdings*. Reply 7–14. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit

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in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays:

(A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250.

Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 3 and 15 are distinguishable from the claims at issue in *DDR Holdings*. *See* Reply 7–14. As an initial matter, we are not persuaded by Smartflash’s argument that claims 3 and 15 are “‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks’ — that of digital data piracy” and “‘address . . . a challenge particular to the Internet.’” PO Resp. 17 (quoting *DDR Holdings*, 773 F.3d at 1257). The challenged claims are not limited to the Internet or computer networks. Moreover, data piracy exists in contexts other than the Internet. *See* Reply 10 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1301, 5:4–7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). As another example, to prevent piracy of software data, time-limited promotional trials were used to prevent software data piracy. Reply 10 (citing Ex. 1319 ¶ 92); Ex. 1306, 1:67–2:9 (“It is an

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object of this invention to provide a means for selling and distributing protected software using standard telephone lines for transferring the software from the seller to the purchaser. Another object of this invention is to permit the purchaser to rent the protected software for a period of time after which it will self destruct. Another object of this invention is to permit the purchaser to rent the protected software for a specified number of runs”). Furthermore, whatever the problem, the solution provided by the challenged claim is not rooted in specific computer technology, but is based on conditioning access to content based on payment or rules. *See* Reply 9 (citing Ex. 1319 ¶¶ 33, 91–92; Ex. 1308, Abstract, 4:27–35).

Even accepting Smartflash’s assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Reply 10–14. For example, claim 3 recites “code” to “read payment data,” “receive payment validation data,” “write the retrieved data into the data carrier,” and “receive at least one access rule . . . write the at least one access rule.” Similarly, claim 15 of the ’720 patent requires “reading payment data,” “forwarding the payment data,” “retrieving data from the data supplier,” “writing the retrieved data into the data carrier,” “receiving at least one access rule from the data supplier,” and “writing the at least one access rule into the data carrier.” These limitations, and the other limitations of claims 3 and 15, do not yield a result that overrides the routine and conventional manner in which this technology operates. Instead, these limitations, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive

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concept.” *Ultramercial*, 772 F.3d at 716. They merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR*, 773 F.3d at 1258–59).

The claims at issue in *Ultramercial*, like claims 3 and 15, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data, based on, for example, payment, as in claims 3 and 15, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 3 and 15 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as “reading payment data,” “forwarding the payment data,” “retrieving data from the data supplier,” “writing the retrieved data into the data carrier,” “receiving at least one access rule from the data supplier,” and “writing the at least one access rule into the data carrier” does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 3 and 15 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 3 and 15 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from

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the '720 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 13 (quoting Ex. 1301, 5:25–29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access control to the digital content can be enforced prior to access to the digital content.” *Id.*

Thus, Smartflash concludes that:

[b]y comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.”

Id. at 13–14.

We are not persuaded by Smartflash’s arguments. Petitioner sufficiently persuades us that the concepts Smartflash implies are covered by the challenged claims were well-known and conventional, and thus, are not inventive. The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was conventional. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was well-known and conventional, and

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Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. As evidence that this concept was well-known and conventional, the prior art discloses products, such as electronic data, that could store both the content and conditions for providing access to the content, such as “a time bomb or other disabling device which will disable the product at the end of the rental period.” Ex. 1315, Abstract, 10:24–30. To the extent Smartflash argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD has only been partially used” (PO Resp. 13–14) (emphasis added)), we remain unpersuaded that the claim recites an inventive concept. Because the concept of combining the content and conditions for providing access to the content on the same device was well-known and conventional, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that the “broad functional nature [of the challenged claims] firmly triggers preemption concerns” (Pet. 29), “underl[y]ing *Mayo*’s two-step test to determine patent eligibility, which serves as a proxy for making judgments about the relative scope of future innovation foreclosed by a patent” (Reply 14). Smartflash responds that the challenged claims do not result in “inappropriate preemption of the ‘idea of paying for and controlling access to data’ [] or the ‘idea of paying for and controlling

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access to content.” PO Resp. 22. According to Smartflash, the challenged claims do not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* (citing *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims of the ’720 patent do not raise preemption concerns. *Id.* at 27–29.

Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine

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whether a claim is patent-eligible under § 101. *See* Reply 16–17 (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the challenged claims involve one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 3 and 15 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive

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alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

3. *Smartflash's Remaining Arguments*

Smartflash also asserts that (1) Petitioner has already lost its challenge to claims of the '720 patent, including claim 13, which depends from claim 3, and claim 15, under § 101 in its related district court litigation with Smartflash (PO Resp. 29–30); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination of the '720 patent (*id.* at 31); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 31–33); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id.* at 33–35). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility of the challenged claims under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Smartflash's reliance on *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293 (2015) also is unavailing. In *B&B Hardware*, both the Trademark Trial and Appeal Board and the district court applied the “likelihood of confusion” standard; the standard that applies in this proceeding—preponderance of the evidence—is different than that which was applied in district court—clear and convincing evidence. *Id.* at 1307. Accordingly, we are not persuaded that the district court decisions referred

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to by Smartflash preclude our determination of the patentability of claims 3 and 15 of the '720 patent under § 101.

Smartflash also does not provide any authority for its assertion that “[t]he question of whether claims 3 and 15 of the '720 patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 31; *see* Reply 22–23.

In addition, we decline to consider Smartflash’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jullian Pappan and Courtney Tsoitigh v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Smartflash’s remaining argument, Smartflash concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” *Id.* at 33 n.3 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

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4. *Conclusion*

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 3 and 15 of the '720 patent are unpatentable under § 101.

SMARTFLASH'S MOTION TO EXCLUDE

Smartflash filed a Motion to Exclude (Paper 30), Petitioner filed an Opposition to Smartflash's Motion (Paper 32), and Smartflash filed a Reply in support of its motion (Paper 33). Smartflash's Motion to Exclude seeks to exclude Exhibit 1302–08, 1311–19, 1324–30, 1333, 1335, and 1336. Paper 30, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash's Motion to Exclude is *granted-in-part* and *denied-in-part*.

Exhibit 1302

Smartflash seeks to exclude Exhibit 1302—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Paper 30, 1–3; Paper 33, 1–2. Specifically, Smartflash argues that Petitioner does not need to cite Smartflash's characterization of the '720 patent in the complaint because the '720 patent itself is in evidence. Paper 30, 1–2. Moreover, according to Smartflash, its characterization of the '720 patent is irrelevant and, even if relevant, cumulative to the '720 patent itself. *Id.* at 2–3.

Petitioner counters that it relies on Exhibit 1302 not as evidence of the content of the '720 patent, but to show that Smartflash's characterization of the '720 patent supports Petitioner's contention that the '720 patent is a

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covered business method patent. Paper 32, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '720 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Smartflash's characterization of the '720 patent in another proceeding is not in the '720 patent itself, and, therefore, Exhibit 1302 is not cumulative to the '720 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1302 is offered not for the truth of the matter asserted (i.e., the content of the '720 patent), but as evidence of how Smartflash has characterized the '720 patent. Thus, Smartflash has not persuaded us that Exhibit 1302 is evidence of the content of a writing or that it is cumulative to the '720 patent. Furthermore, Smartflash has not persuaded us that Exhibit 1302 is irrelevant, at least because its characterization of the '720 patent in prior proceedings is relevant to the credibility of its characterization of the '720 patent in this proceeding. Smartflash contends that Exhibit 1302 does not contradict its characterization of the '720 patent in this proceeding such that the credibility of Smartflash's characterization is an issue. Paper 30, 3. Smartflash's argument misses the point because the credibility of Smartflash's characterization is for us to decide, and we have to consider the document at issue in making that determination. Further, as Petitioner notes (Paper 32, 2), Smartflash's characterization of the '720 patent in prior proceedings is relevant to Smartflash's contention in this proceeding that the '720 patent does not satisfy the "financial in nature" requirement for a covered business method patent review (Prelim. Resp. 5–10).

Accordingly, we decline to exclude Exhibit 1302.

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Exhibits 1305, 1324, 1329, 1330, 1333, 1335, and 1336

Smartflash seeks to exclude Exhibits 1305, 1324, 1329, 1330, 1333, 1335, and 1336 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 30, 3–4; Paper 33, 2. Smartflash further argues that mere review of an exhibit by an expert in reaching the opinions he expressed in this case does not render the exhibit relevant under FRE 401, and, thus, admissible under FRE 402. Paper 30, 4–5. Smartflash notes that underlying facts and data need not themselves be admissible for an expert to rely on them in formulating an admissible opinion. *Id.* (citing FRE 703).

Petitioner counters that all of these exhibits except Exhibit 1305 and 1336 (*see* Paper 32, 4 n.2) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 32, 3. Further, contends Petitioner, the fact that FRE 703 allows experts to rely on materials that may not be admissible does not render all material relied upon irrelevant or inadmissible. *Id.*

We agree with Petitioner. As noted above, Smartflash, as movant, has the burden to show that these exhibits are inadmissible. Smartflash’s reference to FRE 703 is unavailing because while this rule does not establish the admissibility of the exhibits, it also does not speak to whether these exhibits are inadmissible. Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Smartflash has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1324, 1329, 1330, 1333, and 1335. We grant the motion as to Exhibits 1305 and 1336.

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*Exhibits 1303, 1304, 1306–1308, 1311–1318, and 1325–1328*⁸

Smartflash seeks to exclude Exhibits 1303, 1306–1308, 1311–1318, and 1325–1328 under FRE 401 and 402 because they are not alleged to be invalidating prior art, and/or are not the basis for any invalidity grounds for which we instituted a review. Paper 30, 5–8; Paper 33, 2–3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis, and specifically, whether the challenged claim contains an inventive concept and whether the elements disclosed by the challenged claim were well-known, routine, and conventional. Paper 32, 4–6.

We agree that these exhibits are relevant to the state of the art, and thus, to our § 101 analysis. Smartflash, thus, has not persuaded us that they are irrelevant under FRE 401 and 402. Smartflash contends that the state of the art and the knowledge of a person of ordinary skill in the art are irrelevant because we did not institute a review based on obviousness grounds. Paper 30, 6, 8. We are not persuaded by Smartflash’s argument because, as stated above, the state of the art and the knowledge of a person of ordinary skill are relevant to whether the limitations of the challenged claim were well-known, routine, and conventional, and thus, are relevant to our § 101 analysis.

Accordingly, we decline to exclude Exhibits 1303, 1304, 1306–1308, 1311–1318, and 1325–1328.

⁸ Although Smartflash’s Motion lists Exhibit 1328 as an “Uncited Exhibit,” Smartflash states in its Reply that Exhibit 1328 falls into the “Unasserted Exhibit” category. Paper 33, n.2.

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Exhibit 1319

Smartflash moves to exclude Exhibit 1319, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Paper 30, 8–11; Paper 33, 3. Specifically, Smartflash contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Paper 30, 8–9. Thus, Smartflash concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” *Id.* at 10; Paper 33, 3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Paper 32, 7 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Smartflash has not articulated a persuasive reason for excluding Mr. Wechselberger’s Declaration. Smartflash has not cited any authority requiring an expert to recite or apply the “preponderance of the evidence” standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded

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to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Smartflash further requests that, to the extent that we do not exclude Exhibit 1319 in its entirety, we exclude paragraphs 26–83 and 84–112 from the declaration. Paper 30, 11–12.

Paragraphs 26–83 of the Wechselberger Declaration

Paragraphs 26-83 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. §§ 102/103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402..

Paper 30, 11.

Petitioner counters that Mr. Wechselberger’s expert analyses of the prior art is relevant to the § 101 inquiry under FRE 401; the level of skill of a skilled artisan is relevant to determining whether claim elements would be considered well-known, routine, and conventional; and claim construction is relevant because the determination of patent eligibility requires an understanding of the scope of the claimed subject matter. Paper 32, 8 (citations omitted).

We agree with Petitioner. Because this review is under § 101, analysis of the state of the prior art, which includes analysis of the level of skill of a skilled artisan and the scope of the challenged claim, is relevant to the second prong of the *Alice* and *Mayo* inquiry.

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Paragraphs 84–112 of the Wechselberger Declaration

Paragraphs 84-112 should be excluded because they deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert. Thus, those portions of the Wechselberger Declaration are inadmissible under FRE 401 as not relevant, under FRE 602 as lacking foundation, and under FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Paper 30, 11–12. Smartflash acknowledges that FRE 602 does not apply to expert witnesses, but argues that Mr. Wechselberger never states that he is an expert in the subject matter of the challenged claims. Paper 33, 3 n.3.

Petitioner counters that Smartflash’s argument ignores that patent eligibility under § 101 presents an issue of law that may contain underlying factual issues; there is no dispute that Mr. Wechselberger is competent to opine on the factual issues; and FRE 602 does not apply to a witness’s expert testimony. Paper 32, 9 (citations omitted).

We are not persuaded by Smartflash’s arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1319 ¶¶ 2–12, App’x A. We are, therefore, not persuaded by Smartflash’s argument that Mr. Wechselberger has not provided sufficient proof that he is an expert. As Smartflash acknowledges, FRE 602 expressly recites that it “does not apply to a witness’s expert testimony under Rule 703.” Moreover, the challenged testimony relates to, for example, the state of the prior art (Ex. 1319 ¶¶ 91–94, 96–100), which, as we state above, is relevant to the § 101 analysis. Thus, Smartflash has not persuaded us that it is legal opinion, rather than opinion on factual matters.

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Accordingly, Smartflash has not persuaded us that Exhibit 1319 or any of the challenged paragraphs should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 3 and 15 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *granted-in-part*;

FURTHER ORDERED that Exhibits 1305 and 1336 shall be expunged; and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 11
Entered: May 28, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
and MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

ELLURU, *Administrative Patent Judge*.

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx647

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INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition (Paper 5, “Pet.”) requesting covered business method patent review of claims 3 and 13–15 (the “challenged claims”) of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response (Paper 8, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324(a), which provides that a covered business patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, we determine that the ’720 patent is a covered business method patent and that Apple has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we institute a covered business method patent review of claims 3 and 15. We decline to institute a covered business method patent review of claims 13 and 14.

B. Asserted Grounds

Apple argues that the challenged claims are unpatentable based on the following grounds (Pet. 14–15):

¹ Pub. L. No. 112–29, 125 Stat. 284, 296–07 (2011).

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References	Basis
Not Applicable	§ 101
Stefik, ² Poggio, ³ and Kopp ⁴	§ 103
Stefik, Poggio, Kopp, and Smith ⁵	§ 103

Apple also provides a Declaration from Anthony J. Wechselberger.

Ex. 1319.

C. Related Matters

The parties indicate that the '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 13; Paper 6, 3. Smartflash also indicates that the '720 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 6, 3.

Apple previously filed two Petitions for covered business method patent review of the '720 Patent: CBM2014-00104 and CBM2014-00105. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00104, slip op. at 20 (PTAB Sept. 30, 2014) (Paper 9); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00105, slip op. at 21 (PTAB Sept. 30, 2014) (Paper 9). Several related patents, which claim priority back to a common series of applications, are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108,

² U.S. Patent No. 5,530,235 issued June 25, 1996 (Ex. 1312) ("Stefik '235"), and U.S. Patent No. 5,629,980 issued May 13, 1997 (Ex. 1313) ("Stefik '980") (collectively, "Stefik").

³ European Patent Application, Publication No. EP 0 809 221 A2 published Nov. 26, 1997 (Ex. 1315) ("Poggio").

⁴ U.S. Patent No. 5,940,805 issued Aug. 17, 1999 (Ex. 1304) ("Kopp").

⁵ International Publication No. WO 95/34857 published Dec. 21, 1995 (Ex. 1327) ("Smith").

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CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Apple. The '720 patent also is the subject of CBM2014-00190, filed by another Petitioner.

Apple filed a concurrent Petition for covered business method patent review of the '720 patent: CBM2015-00028. In addition, Apple concurrently filed three other Petitions for covered business method patent review challenging claims of other patents owned by Smartflash, which disclose similar subject matter: CBM2015-00031, CBM2015-00032, and CBM2015-00033.

D. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1301, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage

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device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Illustrative Claims

Apple challenges claims 3 and 13–15 of the '720 patent. Claims 3 and 14 are independent, and claims 13 and 15 depend from these claims, respectively. Claims 3 and 14 are illustrative of the claimed subject matter and recite the following:

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code; and
 - a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
 - code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access

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rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1301, 26:41–67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier;

writing the retrieved data into the data carrier;

receiving at least one access rule from the data supplier;

and

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

ANALYSIS

A. *Claim Construction*

While Apple presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. *Covered Business Method Patent*

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “[c]overed business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service,

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except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Exclusion for Technological Inventions

Apple asserts that claim 14 does not fall within § 18(d)(1)’s exclusion for “technological invention.” Pet. 9–13. In particular, Apple argues that claim 14 “does not claim ‘subject matter as a whole [that] recites a *technological feature* that is novel and unobvious over the prior art[] and solves a *technical problem* using a *technical solution*.’” *Id.* at 9 (quoting 37 C.F.R. § 42.301(b)). Smartflash disagrees and argues that claim 14, as a whole, recites at least one technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution. Prelim. Resp. 10.

We are persuaded that claim 14 as a whole does not recite a technological feature that is novel and unobvious over the prior art. The claimed “data carrier” is a generic hardware device known in the prior art. The Specification discloses, for instance, that a data carrier may be a “standard smart card.” *See* Ex. 1301, 11:36–39; Pet. 10. Claim 14 also recites a “payment validation system.” The Specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, “[t]he payment validation system may be part of the data supplier’s computer

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systems or it may be a separate e-payment system.” Ex. 1301, 8:64–66; *see id.* at 13:46–58.

In addition, the ’720 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’720 patent states that “there is an urgent need to find a way to address the problem of data piracy,” (*id.* at 1:40–41) while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:38–41). Thus, on this record, we determine that claim 14 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Smartflash also argues that claim 14 falls within § 18(d)(1)’s exclusion for “technological invention” because it is directed to solving the technological problem of “controlling access, according to access rules to data . . . stored on the data carrier” with the technological solution of “(1) a data carrier from which payment data is read and to which retrieved data from a data supplier is written and (2) at least once access rule, also stored on the data carrier, specifying at least one condition for accessing the retrieved data written into the data carrier.” Prelim. Resp. 11. We are not persuaded by this argument because, as Apple argues, the problem being solved by claim 14 is a business problem—data piracy. Pet. 12. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus

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undermining the position of data pirates.” Ex. 1301, 1:66–2:3. Therefore, based on the particular facts of this proceeding, we conclude that claim 14 does not recite a technological invention and is eligible for a covered business method patent review.

2. *Financial Product or Service*

Apple asserts that because claim 14 “explicitly describes electronically transferring money and allowing such a transfer, as well as restricting access based on payment . . . and clearly relates to a financial activity and providing a financial service.” Pet. 9. Based on this record, we agree with Apple that the subject matter recited by claim 14 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 14 recites:

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

We are persuaded that payment validation is a financial activity, and conditioning data access based on the amount of payment associated with the payment data forwarded to the payment validations system amounts to a financial service. This is consistent with the Specification of the ’720 patent, which confirms claim 14’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1301, 1:6–7. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g., id.* at 1:46–49, 2:4–19, 3:19–27, 3:50–54, 7:62–8:9, 8:21–35.

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Smartflash disagrees that claim 14 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 5–8. Smartflash cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase “financial product or service” in § 18(d)(1) is as limited as Smartflash proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Smartflash’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Smartflash asserts that claim 14 is not directed to an apparatus or method that is financial in nature because claim 14 “omits the specifics of how payment is made.” Prelim. Resp. 10. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Smartflash point to any other authority that

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imposes such a requirement. *Id.* We determine that because payment is required by claim 14, as Smartflash acknowledges (*id.*), the financial-in-nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the '720 patent includes at least one claim that meets the financial-in-nature requirement of § 18(d)(1) of the AIA.

3. Conclusion

In view of the foregoing, we conclude that the '720 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review under the transitional covered business method patent review program.

C. Statutory Subject Matter

Apple challenges claims 3 and 13–15 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19–30. Analyzing the challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Apple asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Apple argues that each of the challenged claims is directed to the abstract idea of “payment for something, and/or of controlling access to something.” Pet. 21.

We agree with Apple that, on this record, the challenged claims of the '720 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir.

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2014). Here, each of the challenged claims recites either a “machine,” i.e., a “data access terminal” (claims 3 and 13) or a “process,” i.e., a “method of providing data from a data supplier” (claims 14 and 15) under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

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Apple contends that each challenged claim is drawn to the concept of controlling access based on payment, a “well-known ‘building block of the modern economy’ and a longstanding ‘method of organizing human activity’ long pre-dating the ’720 Patent.” Pet. 22. As discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1301, 1:26–41. The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–1:59. The ’720 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:60–2:3. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’720 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344–45 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . .

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to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Apple contends that the “challenged claims simply instruct that the abstract ideas of payment for and/or controlling access to data should be implemented in software[and] they refer only to generic computer functions.” Pet. 25. Independent claims 3 and 14, for example, recite a “data carrier” and a “payment validation system.” The Specification, however, notes that the data carrier may be a generic, known, hardware device such as a “standard smart card,” and that “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” *See* Ex. 1301, 8:64–66, 11:36–39, 13:46–58. Moreover, on this record, Smartflash has not shown sufficiently that any of the other potentially technical additions to the claims—including, for example, “processor,” “program store,” “accessing,” and code to receive/retrieve/write data (claims 3 and 13); “reading,” “forwarding,” “retrieving,” “writing,” “receiving,” and “transmitting” (claims 14 and 15)—performs a function that is anything other than “purely conventional.” *See Alice*, 134 S. Ct. at 2359. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules, as claimed here, appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Id.*; *Mayo*, 132 S. Ct. at 1294. Based on the present record, we determine that none of these limitations, viewed “both individually and ‘as an ordered combination,’” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297, 1298).

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Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Apple has demonstrated that it is more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. However, because we already instituted a covered business method patent review of claims 13 and 14 under 35 U.S.C. § 101 in CBM2014-00190 (*Samsung Elecs. Am. Inc. v. Smartflash LLC*, Case CBM2014-00190, slip op. at 18 (PTAB April 2, 2015) (Paper 9)), and because whether these claims are directed to patent-eligible subject matter is an issue of law, we exercise our discretion under 35 U.S.C. § 325(d) to decline to institute a covered business method patent review of claims 13 and 14 under this ground in this case.

Smartflash argues that Apple’s assertion of this ground is untimely because “Apple provides no valid reason why it did not raise this purely legal issue . . . in its two prior petitions.” Prelim. Resp. 15. According to Smartflash,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its March 31, 2014 petitions encourages Apple’s piecemeal invalidity challenges to Patent Owner’s patent claims and runs afoul of the PTAB’s charge to “secure the just, speedy, and inexpensive resolution” of Apple’s covered business method challenges to the ‘720 Patent.

Id. at 16. Smartflash, however, cites no statutory or regulatory authority precluding Apple from asserting this ground. Moreover, Smartflash acknowledges that the Supreme Court’s June 19, 2014 decision in *Alice* was decided after Apple’s original petitions were filed in March 2014. *Id.* at 15. Thus, on this record, we are not persuaded that Apple’s assertion of a new ground based on 35 U.S.C. § 101 is untimely.

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On this record, Apple has established that it is more likely than not that claims 3 and 15 are unpatentable under 35 U.S.C. § 101.

D. Obviousness Challenges

Apple argues that claim 3 and 13–15 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik, Poggio, and Kopp, and Stefik, Poggio, Kopp, and Smith. Pet. 42–79.

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Apple has not shown that it is more likely than not that it would prevail in showing that claims 3 and 13–15 are unpatentable as obvious over either of the combinations identified above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Apple has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the references are to be combined, if at all. Pet. 42–79. Apple also has not

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shown that any of the individual references anticipate the challenged claims. Thus, it is unclear how Apple proposes that we do a proper *Graham* analysis to determine that the challenged claims are unpatentable.

We cannot ascertain from the Petition, including the claim charts and the numerous attending footnotes, which disclosure of which prior art reference Apple is referring to as teaching or suggesting each limitation and why such disclosure satisfies the limitation. Apple cites Stefik for each claim limitation of claims 3 and 13–15. *Id.* at 48–77. Apple even cites to two different embodiments of Stefik for most claim elements. *See, e.g., id.* at 45–46, nn.27, 28. At the same time, Apple also cites Poggio and Kopp for a majority of the limitations of these claims. *Id.* at 48–77. With respect to teaching or suggesting the recited “access rule” recited in claim 3, for example, Apple cites a number of portions of Stefik in the Petition’s claim chart, as well as portions of Poggio, Kopp, and Smith. *See id.* at 69–76. Apple does not allege directly that Stefik alone teaches or renders obvious each limitation, yet, as noted above, Apple cites Stefik for each claim limitation. At the same time, Apple proposes combining a number of features from Poggio, Kopp, and/or Smith with the teachings of Stefik. *Id.* at 33–42.

Apple’s analysis prevents us from determining what specific teaching is lacking in Stefik, for example (i.e., the differences between the claimed subject matter and Stefik). *See Graham*, 383 U.S. at 17–18. With respect to “access rule,” the claim chart identifies various “rights” in Stefik, and Apple contends that “[t]hese rules (*e.g.*, enumerated types of associated right restrictions) disclosed in Stefik include some of the same content rules disclosed in the ’720 patent.” *Id.* at 69, n.98. The claim chart, however, also

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indicates that Kopp discloses writing an “access rule”—“(e.g., limitation specifying purchased extent of utilization)”—and Apple contends that it would have been “obvious to implement Stefik and Poggio with Kopp’s explicit teachings of specified limitations on extent of utilization, including limits on the total amount of use allowed, length of time during which the data is accessible, a time limit up to which the data record is accessible, and specific devices on which data is accessible, to bolster the varied product offering and flexibility in the system disclosed by Stefik and Poggio” *Id.* at 73, n. 109, 74–75, n.116; (*see also id.* at 75–76, nn.117–120 (arguing that Smith discloses “access rules” and contending that the combination of Stefik, Poggio, Kopp, and Smith render obvious the limitation)).

Nowhere does Apple explain any differences between the claimed invention and Stefik. As a result, it is not clear, for example, whether Apple is alleging that certain claim limitations are taught by Stefik, rendered obvious by Stefik, taught by Poggio, Kopp, and/or Smith, or rendered obvious in view of Stefik, Poggio, Kopp, and/or Smith. Given this ambiguity in the Petition, we cannot ascertain which reference to rely on for any given limitation or why a person of ordinary skill in the art would have found it obvious to combine that particular disclosed subject matter with the subject matter disclosed by the other references.

We are, thus, not persuaded that Apple has shown that it is more likely than not that claims 3 and 13–15 would have been obvious over the combination of Stefik, Poggio, and Kopp, or the combination of Stefik, Poggio, Kopp, and Smith.

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ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the ground that claims 3 and 15 are patent ineligible under 35 U.S.C. § 101;

FURTHER ORDERED that the trial is limited to the grounds identified above. No other grounds are authorized; and

FURTHER ORDERED that, pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial, the trial commencing on the entry date of this Decision.

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Paper 52
Entered: September 28, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and SAMSUNG
ELECTRONICS CO., LTD.,
Petitioners,

And

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00190¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
ELLURU, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. Paper 31, 6–7.

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INTRODUCTION

Petitioners, Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 13 and 14 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 4 (“Pet.”). On April 2, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 13 and 14 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18. Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”), and Samsung filed a Reply (Paper 30, “Pet. Reply”) to Patent Owner’s Response. We consolidated Apple Inc.’s (“Apple”) challenge to claims 13 and 14 of the ’720 patent with this proceeding. Paper 31; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00118 (Paper 11) (PTAB Aug. 6, 2015).

In our Final Decision, we determined that Petitioners had established, by a preponderance of the evidence, that claims 13 and 14 of the ’720 patent are unpatentable. Paper 47 (“Final Dec.”), 3, 30. Smartflash requests rehearing of the Final Decision. Paper 49 (“Request” or “Req. Reh’g”). Subsequent to its Rehearing Request, Smartflash, with authorization, filed a Notice of Supplemental Authority. Paper 50 (“Notice”). Petitioners filed a

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

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Response to Smartflash’s Notice. Paper 51 (“Notice Resp.”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method patent review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Smartflash’s Request is based on a disagreement with our determination that claims 13 and 14 (“the challenged claims”) are directed to patent-ineligible subject matter. Req. Reh’g 5. In its Request, Smartflash presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh’g 5–10) and *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party “specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was

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previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. § 42.71(d) (emphasis added). In its Request, however, Smartflash does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Smartflash’s previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Smartflash’s arguments regarding *DDR Holdings*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 11-20.” Request 7 n.3. Similarly, in Smartflash’s arguments regarding *Alice*, Smartflash simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are directed to patent eligible subject matter was previously addressed. See PO Resp. 11-33.” (*id.* at 11 n.4) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. See PO Resp. 17, 20” (*id.* at 13 n.5). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Smartflash’s Request provides new briefing by expounding on argument already made. Smartflash cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. See 37 C.F.R. § 42.71.

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Smartflash’s arguments are either new or were addressed in our Final Decision. For example, Smartflash’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 11–13) is new, and therefore, improper in a request for rehearing, because Smartflash did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response. See PO Resp. 11–24; see also Paper 46 (transcript of oral hearing), 17:9–14 (Smartflash stating that “even if Patent Owner says nothing about [abstract idea], it is still the Petitioner’s burden to prove that the claims are directed to an abstract idea.”).

To the extent portions of the Request are supported by Smartflash’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. See, e.g., Req. Reh’g 7 (citing Final Dec. 16) (“The Board rejected Patent Owner’s reliance on *DDR Holdings* (at 16), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”).

For example, Smartflash’s arguments about inventive concept (Req. Reh’g 5–7, 11–15) were addressed at pages 10–20 of our Final Decision, Smartflash’s arguments about preemption (Req. Reh’g. 6–7) were addressed at pages 20–22 of our Final Decision, and Smartflash’s arguments about *DDR Holdings* (Req. Reh’g. 6–10) were addressed at pages 14–18 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing. Accordingly, Smartflash’s Request does not apprise us of sufficient reason to modify our Final Decision.

Smartflash’s Notice of Supplemental Authority also does not alter the determination in our Final Decision. Smartflash characterized the Federal

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Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

The Federal Circuit concluded, at step two of *Alice*, that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 1. Relying on *BASCOM*, Smartflash contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” Notice 2 (citation omitted). Using claim 3 of the ’720 patent as an example,⁴ Smartflash contends that the challenged claims “describe[e] a system for content delivery that uses a data carrier that stores (1) payment data that a data access terminal transmits to a payment validation system; (2) content data delivered by a data supplier; *and* (3) access rules supplied by the data supplier –thus ‘improv[ing] an existing technological process.’” *Id.* at 2–3. According to Smartflash, the “specific arrangement of data elements and organization of transaction steps” “provides a technical solution that improves the functioning of the data access terminal.” *Id.* at 3. We disagree.

As we stated in our Final Decision and Petitioners argue, the ’720 patent specification treats as well-known and conventional all potentially technical elements of claims 13 and 14, the claimed code limitations perform

⁴ We note that claim 13 depends from claim 3.

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generic computer functions, and the claims recite several generic and conventional data types. Final Dec. 12–13; Notice Resp. 1–2. These limitations of claims 13 and 14 do not “achiev[e] a result that overrides the routine and conventional use of the recited devices and functions.” Final Dec. 16–17. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351. Also, “[t]he concept of storing two different types of information⁵ in the same place or on the same device is an age old practice.” Final Dec. 19. For example,

the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet. 42 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.” (emphasis added))).

Id. at 19–20.

Lastly, Smartflash also reargues that *DDR Holdings* is controlling. Notice 3. As we discussed above, however, our Final Decision addresses *DDR Holdings*.

⁵ We agree with Petitioners that Smartflash newly argues that combining payment data, content data, and rules on the data carrier is “inventive.” Notice 2–3; Notice Resp. 2; Final Decision 18–19.

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ORDER

Accordingly, it is:

ORDERED that Smartflash's Rehearing Request is *denied*.

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Paper 47
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00190¹
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

¹ CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. Paper 31, 6–7.

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INTRODUCTION

A. Background

Petitioner, Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 13 and 14 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 4 (“Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). On April 2, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 13 and 14 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, “PO Resp.”³), and Samsung filed a Reply (Paper 30, “Reply”).

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute a covered business method patent review of the same claims of the ’720 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00118 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00118 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ We cite to the redacted Patent Owner response.

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Apple's Petition and consolidated the two proceedings.⁴ Paper 31;
CBM2015-00118 (Paper 11).

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 13 and 14 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage

⁴ For purposes of this decision, we will cite only to Samsung's Petition, and refer collectively to Samsung and Apple as “Petitioner.”

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device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

C. Challenged Claims

Petitioner challenges claims 13 and 14 of the '720 patent. Claim 13 depends from independent claim 3, which is not explicitly challenged in this proceeding, and claim 14 is independent. Claims 3, 13, and 14 recite the following.

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code; and
 - a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
 - code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data

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written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41–67.

13. A data access terminal according to claim 3 integrated with a mobile communication device, a personal computer, an audio/video player, and/or a cable or satellite television interface device.

Id. at 28:1–4.

14. A method of providing data from a data supplier to a data carrier, the method comprising:
reading payment data from the data carrier;
forwarding the payment data to a payment validation system;
retrieving data from the data supplier;
writing the retrieved data into the data carrier;
receiving at least one access rule from the data supplier; and
writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,⁵ the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC*

⁵ Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) (“AIA”).

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v. Lee, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 13 and 14 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22–37. According to Petitioner, claims 13 and 14 are directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. (“Bloom Declaration”) in support of its Petition.⁶ Ex. 1003. Smartflash argues that claims 13 and 14 are directed to statutory subject matter because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy.” PO Resp. 13.

⁶ In its Response, Smartflash argues that the Bloom Declaration should be given little or no weight. PO Resp. 3–6. Because Smartflash has filed a Motion to Exclude that includes a request to exclude Dr. Bloom’s Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Smartflash’s argument as part of our analysis of the motion to exclude, below.

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1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claim 13 recites a “machine,” e.g., a “data access terminal,” and claim 14 recites a “process,” e.g., a “method of providing data” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34

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(“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claims 13 and 14 are directed to the abstract idea of “licensing/regulating access to copyrighted content.” Pet. 24. Although Smartflash does not concede, in its brief, that claims 13 and 14 are directed to an abstract idea, it does not persuasively explain how the challenged claims escape being classified as abstract. PO Resp. 11–24; *see also* Paper 46 (transcript of oral hearing), 17:9–14 (Smartflash stating that “even if Patent Owner says nothing about [abstract idea], it is still the Petitioner’s burden to prove that the claims are directed to an abstract idea.”).

We are persuaded that claims 13 and 14 are drawn to an abstract idea. Specifically, claims 13 and 14 are directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 3, from which claim 13 depends, and claim 14 recite “the at least one access rule specifying at least one condition for

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accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:15–55. The patent specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The specification further explains that once data has been published on the Internet, it is difficult to police access to and use of it by Internet users who may not even realize that it is pirated. *Id.* The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–2:3. The ’720 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*

Although the specification refers to data piracy on the Internet, claims 13 and 14 are not limited to the Internet. Claim 3, from which claim 13 depends, recites code to “read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “retrieve data from the data supplier,” “write the retrieved data into the data carrier,” and

responsive to the payment validation data to receive at least one access rule . . . write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

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Claim 14, a method claim, recites similar limitations. The underlying concept of claims 13 and 14, particularly when viewed in light of the '720 patent specification, is conditioning and controlling access to content based upon payment. This is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the '720 patent specification and the claim language, that each of claims 13 and 14 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’

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capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues “[t]he claims of the ’720 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claims 13 and 14 the ’720 patent do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than claims on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt Petitioner’s rationale that the additional elements of claims 13 and 14 are generic features of a computer that do not bring these claims within § 101 patent eligibility. Pet. 24–31; Reply 11–21.

a. Technical Elements

Petitioner argues that claims 13 and 14 are unpatentable because these claims are directed to an abstract idea and any recited technical elements are repeatedly described by the ’720 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 24 (citing Ex. 1001, 3:64–55, 16:63–65, 21:59–60). Smartflash disagrees, arguing that claims 13 and 14 are patentable because these claims “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 17 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

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The '720 patent specification treats as well-known and conventional all potentially technical aspects of claims 13 and 14, including the “data access terminal” (recited in the preambles of claims 3 and 13), “data supplier,” “data carrier,” and “payment validation system.” *See* Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 3:64–65, 16:62–65, 18:24–30). For example, as Petitioner contends, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data access device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” *Id.* (quoting Ex. 1001, 4:4–5, 16:46–50, 18:7–11). In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:36–39; *see also id.* at 14:38–42 (“Likewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142.”), Fig. 6. The specification further indicates that that the “payment validation system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:12–17, 13:46–48 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code in claim 13 and the method of claim 14 perform generic computer functions, such as reading, forwarding, receiving, retrieving and writing. *See* Pet. 24–30; Reply 14–16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content*

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Extraction and Transmission LLC v. Wells Fargo Bank, Nat'l Assoc., 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 13 and 14 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 20. Claims 13 and 14 do not recite any particular or “distinct memories.” To the extent Smartflash contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claims 13 and 14 also recite several generic and conventional data types including “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” and “access rule.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”) (brackets in original).

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Smartflash does not point to any inventive concept in the '720 patent related to the way the recited data types are constructed or used. In fact, the '720 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claims 13 and 14 do not cover a “particular machine.” Pet. 33–35; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And claims 13 and 14 do not transform an article into a different state or thing. Pet. 36–37.

Thus, we determine the potentially technical elements of claims 13 and 14 are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Smartflash asserts that claims 13 and 14 are directed to statutory subject matter because the claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 13 (citing *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Smartflash contends that claims 13 and 14 are “directed to particular devices that can download and store digital content into a data carrier” and “[b]y using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system, and by responding to payment validation data when obtaining digital content, the claimed data access terminals enable

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digital content to be obtained effectively and legitimately.” *Id.* at 12–13. Smartflash further argues that because each of claims 13 and 14 “utilizes at least one access rule, also written to the data carrier,” “access control to the digital content can be enforced prior to access to the digital content and allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.” *Id.* at 13.

Petitioner responds that claims 13 and 14 are distinguishable from the claims in *DDR Holdings*. Reply 18–21. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object

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associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree with Petitioner that claims 13 and 14 are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Smartflash’s argument that claims 13 and 14 are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 13 (quoting *DDR Holdings*, 773 F.3d at 1257). Data piracy exists in contexts other than the Internet. *See* Reply 17–18 (identifying other contexts in which data piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001, 5:4–7 (“[W]here the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking.”). Further, whatever the problem, the solutions provided by claims 13 and 14 are not rooted in specific computer technology, but are based on conditioning and controlling access to content only when payment is validated. *See* Reply 15–16.

Even accepting Smartflash’s assertion that claims 13 and 14 address data piracy on the Internet (PO Resp. 13), we are not persuaded that the claims do so by achieving a result that overrides the routine and

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conventional use of the recited devices and functions. In fact, the differences between claims 13 and 14 and the claims at issue in *DDR Holdings* are made clear by Smartflash in its table mapping claim 13 of the '720 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 14–17. For example, Smartflash compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 2 limitations recited by claim 13: “code responsive to the payment validation data . . . to write the retrieved data in the data carrier,” and “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validations system.” PO Resp. 16–17. Smartflash, however, fails to identify how these limitations of claim 13, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 13–24; *DDR Holdings*, 773 F.3d at 1258. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of claim 13, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. The limitations of the challenged claims merely rely on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

The claims at issue in *Ultramercial*, like claims 13 and 14, were also directed to a method for distributing media products. Instead of

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conditioning and controlling access to data based on payment, as in claims 13 and 14, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claims 13 and 14 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, and writing data to a data carrier does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that claims 13 and 14 are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Smartflash argues claims 13 and 14 include an “inventive concept” because of the specific combination of elements in these claims, we disagree. Specifically, Smartflash refers to the following disclosure from the ’720 patent specification: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 8 (quoting Ex. 1001, 5:25–29). Referring to this disclosure, Smartflash argues that “[b]y using a system that combines on the data carrier both the digital content and the at least one access rule, access

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control to the digital content can be enforced prior to access to the digital content.” *Id.* at 9. Thus, Smartflash concludes that “[b]y comparison, unlike a system that uses at least one access rule as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.” *Id.*

The concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Smartflash alleges two specific types of information—content and the conditions for providing access to the content—are stored in the same place or on the same storage device does not alter our determination. The concept was known and conventional, and Smartflash has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both content and conditions for providing access to the content. *See, e.g.*, Pet. 42 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach

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multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.” (emphasis added))). To the extent Smartflash argues that claims 13 and 14 cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times” (PO Resp. 9) (emphasis added)), we do not agree that this, by itself, is sufficient to elevate claims 13 and 14 to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

Petitioner argues that claims 13 and 14 recite an abstract idea that “preempts all effective uses of the abstract idea of licensing and regulating access to copyrighted content.” Pet. 31. Smartflash responds that claims 13 and 14 do not result in inappropriate preemption. PO Resp. 22–32. According to Smartflash, claims 13 and 14 do not attempt to preempt every application of the idea, but rather recite a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 22 (quoting *DDR Holdings*, 773 F.3d at 1259). Smartflash also asserts that the existence of a large number of non-infringing alternatives shows that claims 13 and 14 do not raise preemption concerns. *Id.* at 27–32.

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Smartflash’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See Reply 21–24* (arguing that Smartflash’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim is immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to

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ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown by a preponderance of the evidence that claims 13 and 14 are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the claims in practice amount to significantly more than a claim on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Smartflash’s Remaining Arguments

Smartflash also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation with Smartflash (PO Resp. 34); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 35).

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Smartflash does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on §101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). Moreover, Smartflash does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 35.

3. *Conclusion*

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 13 and 14 of the ’720 patent are unpatentable under § 101.

MOTIONS TO EXCLUDE

A. *Petitioner’s Motion to Exclude*

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Smartflash. Paper 37⁷, 3–4. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner’s Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom’s cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence (“FRE”) 401

⁷ We refer to the redacted “public” version of the Motion to Exclude.

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and 402 (Paper 37, 4–6) and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom’s employer, is “unrelated to the instant CBM proceeding” and “is of no consequence to the validity of the patent claims at issue.” *Id.* at 4. Petitioner adds that “Samsung, during its direct examination of Dr. Bloom, never opened [the] door to such questions.” *Id.* at 8.

We are not persuaded by Petitioner’s argument. Smartflash proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Petitioner’s expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 (193:17–194:8 and 195:5–16) as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Petitioner argues that in these excerpts, Smartflash attempted to solicit testimonies from Dr. Bloom regarding a particular product and that Smartflash “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (quoting PO Resp. 6). According to Petitioner, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

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We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Smartflash's Motion to Exclude

Smartflash seeks to exclude Exhibits 1003, 1004, 1005, 1006, and 1028. Paper 33, 1. As movant, Smartflash has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Smartflash's Motion to Exclude is *denied*.

1. Exhibit 1003

Smartflash seeks to exclude the entirety of Dr. Bloom's testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 33, 1–10. First, Smartflash seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Smartflash, this is because Dr. Bloom's Declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." *Id.* Smartflash also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom

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‘reliably applied the principles and methods to the facts of the case.’” *Id.* at 3–4.

Petitioner counters that consistent with the requirements of 37 C.F.R. §§ 42.64(a) and 42.65, “Dr. Bloom’s testimony disclosed underlying facts and data on which his opinions were based.” Paper 39, 4. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Smartflash did not rely on FRE 702 to object to Dr. Bloom’s Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Smartflash had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

We are not persuaded by Smartflash’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of experience in relevant technologies. *Id.* at ¶¶ 5–14. We are, therefore, not persuaded by Smartflash’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Smartflash also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board.

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Paper 33, 5–6. Because these paragraphs also support Petitioner’s assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. *Id.* at 6. According to Smartflash, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401 and 402 as not relevant, under FRE 602 as lacking foundation, and FRE 701 and 702 as providing legal opinions on which the lay witness is not competent to testify. *Id.* Because these paragraphs relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. As discussed above, Smartflash has not persuaded us that Dr. Bloom provides insufficient factual basis for his opinions, and thus, we are not persuaded that these paragraphs should be excluded under FRE 602. We also are persuaded that Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 115. Thus, we are not persuaded that these paragraphs should be excluded under FRE 701 and 702. Accordingly, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 33, 7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his

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understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Smartflash also seeks to exclude paragraphs 102–107, 122, 123, 125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 33, 7–9. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 39, 9–11 (citing Ex. 1043). Smartflash does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 42, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Smartflash does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802. We also decline to exclude these paragraphs as irrelevant under FRE 401 and 402 because they relate to the underlying factual issues related to patent eligibility.

2. Exhibits 1004–1006

Smartflash seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 33, 10–11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology

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towards the solution of a financial problem: enabling limited use of paid-for/licensed content” and, thus, are relevant to the question of patent eligibility. Paper 39, 11–12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

3. *Exhibit 1028*

Smartflash seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 33, 11–12. According to Smartflash, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’720 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’720 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 39, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402.

We also decline to exclude Exhibit 1028 on authenticity grounds under FRE 901 (Paper 33, 12) because Petitioner submits a librarian declaration attesting to the authenticity of the downloaded copy (Paper 39, 12).

Accordingly, we decline to exclude Exhibit 1028.

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ORDER

Accordingly, it is:

ORDERED that claims 13 and 14 of the '720 patent are determined to be *unpatentable*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;

FURTHER ORDERED that Smartflash's motion to exclude is *denied*;

and

FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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Paper 9
Entered: April 2, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00190
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, and PETER P. CHEN,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

Appx706

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INTRODUCTION

A. Background

Petitioner, Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. (collectively “Samsung”)¹, filed a Corrected Petition (Paper 4, “Pet.”) to institute a covered business method patent review of claims 13 and 14 (“the challenged claims”) of US Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response (Paper 7, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

¹ Samsung provided in its updated mandatory notice that “Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. are now the real-parties-in-interest in this Covered Business Method Review. Samsung Telecommunications America, LLC, (“STA”) originally a Petitioner and real-party-in-interest at the time of filing the Petition requesting Covered Business Method Review, has merged with and into Petitioner Samsung Electronics America, Inc. as of January 1, 2015, and therefore STA no longer exists as a separate corporate entity.” Paper 8, 1.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011)

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B. Asserted Grounds

Samsung contends that the challenged claims are unpatentable under 35 U.S.C. §§ 101 and/or 103 based on the following grounds (Pet. 3).

References	Basis	Claims Challenged
Not applicable	§ 101	13 and 14
Gruse, ³ Stefik '235, ⁴ and Stefik '980 ⁵⁶	§ 103	13 and 14

Samsung also provides a declaration from Jeffrey A. Bloom, Ph.D. Ex. 1003.

After considering the Petition and Preliminary Response, we determine that the '720 patent is a covered business method patent. We further determine that Samsung has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we institute a covered business method patent review of claims 13 and 14 of the '720 patent.

³ PCT Publication No. WO 00/08909 (Ex. 1006)

⁴ US Patent No. 5,530,235 ("Stefik '235") (Ex. 1004).

⁵ US Patent No. 5,629,980 ("Stefik '980") (Ex. 1005).

⁶ Samsung refers to Stefik '235 and Stefik '980 collectively as "Stefik" because, according to Samsung, Stefik '235 incorporates Stefik '980 by reference. Pet. 42–43. Smartflash disagrees. Prelim. Resp. 15–18. Based on our determination below, we need not address this issue, but for purposes of this decision, we adopt the convention of referring to the combination of both references as "Stefik."

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C. Related Matters

Samsung indicates that the '720 patent is the subject of the following co-pending district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 1; Paper 5, 2–3. Patent Owner asserts that patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, and CBM2014-00108, filed by Apple Inc. *See* Paper 5, 2.

Samsung filed a concurrent petition for covered business method patent review of the '720 patent: CBM2014-00196.⁷ In addition, Samsung filed eight other Petitions for covered business method patent review challenging claims of other patents owned by Smartflash and disclosing similar subject matter: CBM2014-00192; CBM2014-00193; CBM2014-00194; CBM2014-00197; CBM2014-00198; CBM2014-00199; CBM2014-00200; and CBM2014-00204. Paper 5, 2

D. The '720 Patent

The '720 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001, 1:6–10. Owners of proprietary data, especially audio recordings,

⁷ Smartflash argues that the multiple petitions filed against the '720 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 9–12. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of the '190 and '196 Petitions meets that requirement.

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have an urgent need to address the prevalence of “data pirates,” who make proprietary data available over the Internet without authorization. *Id.* at 1:15–41. The ’720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the ’720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The ’720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 26:13–16 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Challenged Claims

Samsung challenges claims 13 and 14 of the ’720 patent. Claim 13 depends from independent claim 3, which is not explicitly challenged in this proceeding, and claim 14 is independent. Claims 3 and 14 are illustrative of the claims at issue and recite the following.

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

a first interface for communicating with the data supplier;

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a data carrier interface for interfacing with the data carrier;
a program store storing code; and
a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41–67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier;

writing the retrieved data into the data carrier;

receiving at least one access rule from the data supplier; and

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

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ANALYSIS

A. Claim Construction

While Samsung presents constructions for several claim terms, no terms require express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “[c]overed business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” Leahy-Smith America Invents Act (AIA) § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Samsung asserts that “claim 14 unquestionably is used for data processing in the practice, administration and management of financial products and services; specifically, for processing payments for data downloads.” Pet. 9. Based on this record, we agree with Samsung that the subject matter recited by claim 14 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 14 recites:

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the

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retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the '720 patent, which confirms claim 14's connection to financial activities by stating that the invention "relates to a portable data carrier for storing and paying for data." Ex. 1001, 1:6-7. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:46-49, 2:4-19, 3:19-27, 3:50-54, 7:62-8:9, 8:21-35.

Smartflash disagrees that claim 14 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 3-7. Smartflash cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Smartflash that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase "financial product or service" is as limited as Smartflash proposes. The AIA does not include as a prerequisite for covered business method patent review, a "nexus" to a "financial business," but rather a "method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1). Further, contrary to Smartflash's view of the legislative history, the legislative history indicates that the phrase "financial product or service" is *not* limited

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to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* at 48,735 (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Smartflash asserts that claim 14 is not directed to an apparatus or method that is financial in nature because claim 14 “omits the specifics of how payment is made.” Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Smartflash point to any other authority that makes such a requirement. *Id.* We determine that because payment data is recited by claim 14, the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’720 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Samsung asserts that the claims of the ’720 patent do not fall within § 18(d)(1)’s exclusion for “technological inventions.” Pet. 10–13. In particular, Samsung argues that the claims do not recite a technological feature that is novel and unobvious, or solve a technical problem using a technical solution. *Id.* Smartflash disagrees and argues that claim 14, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 7–9.

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We are persuaded that claim 14 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim 14 does recite a “data carrier.” The claimed “data carrier,” however, is a generic hardware device known in the prior art. The Specification discloses, for instance, that a portable data carrier may be a “standard smart card.” *See* Ex. 1001, 11:36–39; Pet. 17. Claim 14 also recites a “payment validation system.” The Specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” Ex.1001, 8:64–66; *see id.* at 13:46–58.

In addition, the ’720 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’720 patent states that “there is an urgent need to find a way to address the problem of data piracy,” (*id.* at 1:40–41) while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:38–41). Thus, we determine that claim 14 is merely the recitation of a combination of known technologies, which indicates that it is not a claim for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Smartflash also argues that claim 14 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed towards solving the technological problem of “writing data and at least one access rule from a data supplier into a data carrier” with the technological solution

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of “a data carrier from which payment data is read and to which retrieved data and at least one access rule from a data supplier is written.” Prelim. Resp. 8. We are not persuaded by this argument because, as Samsung argues, the problem being solved by claim 14 is a business problem—data piracy. Pet. 12. For example, the Specification states that “[b]inding data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 1:66–2:3. Therefore, based on the particular facts of this proceeding, we conclude that claim 14 does not recite a technological invention and is eligible for a covered business method patent review.

3. Conclusion

In view of the foregoing, we conclude that the ’720 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review under the transitional covered business method patent program.

C. Section 101 Unpatentability

Samsung challenges claims 13 and 14 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 22–37. Samsung asserts that the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Samsung argues that the challenged claims are directed to the abstract idea “that copyrighted content needs to be licensed for a specified amount of use, and that copyright requirements regulate how content can be used (e.g., ASCAP use rights for music radio stations).” Pet. 25.

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Smartflash argues that the challenged claims are directed to a more narrow invention than that asserted by Samsung. Prelim. Resp. 12–13. Smartflash specifically cites to the following limitations from claim 3, from which claim 13 depends, and claim 14 as evidence that claims 13 and 14 “[are] not preemptory as asserted and [are], at least for that reason, directed to statutory subject matter.” *Id.* at 13.

Claim 3

the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system

Claim 14

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system

Id. Based on the analysis of the challenged claims using the two-step process set forth in *Alice Corp. Pty, Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014), as discussed below, we agree with Samsung that claims 13 and 14 of the ’720 patent are more likely than not directed to patent-ineligible subject matter.

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ulramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, claim 13 recites a “machine” (i.e., “[a] data access terminal”) and claim 14 recites a process or “method” (i.e., “[a] method of providing

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data from a data supplier to a data carrier”) under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’ to determine whether [there are] additional elements that ‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

Samsung contends that the “recited actions [in the challenged claims] merely describe an abstract idea, namely, the abstract idea that copyrighted content needs to be licensed for a specified amount of use, and that

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copyright requirements regulate how content can be used (e.g., ASCAP use rights for music radio stations).” Pet. 25. For example, claim 3, from which claim 13 depends, recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.”

Claim 14 contains a similar limitation. Furthermore, as discussed above, the ’720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:26–41. The ’720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:46–1:59. The ’720 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:60–2:3. We are persuaded, on this record, that the challenged claims are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” (citation omitted)).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’720 patent add an inventive concept sufficient to ensure that the patent in practice amounts to

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significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; see *Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

As discussed above, with respect to claim 14, the Specification notes that the claimed data carrier may be a generic, known, hardware device such as a “standard smart card,” and that “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” *Id.* at 11:36–39, 8:21–25. Moreover, on this record, we are not persuaded that the recited technical components of claim 3, from which claim 13 depends, which include, for example, “a program store,” “processor,” and code to receive/retrieve/write data perform a function that are anything other than “purely conventional.” See *Alice*, 134 S. Ct. at 2359. Furthermore, claim 13 requires the “data access terminal” of claim 3 to be integrated with a “mobile communication device, a personal computer, an audio/video player, and/or a cable or satellite television interface device,” features we are persuaded are “purely conventional.” *Id.* Furthermore, the linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules, as claimed by the challenged claims, appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1294). None of the technical limitations viewed “both individually and ‘as an ordered combination,’” transform the nature of the claims into patent-eligible subject matter. See *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1297, 1298).

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Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Samsung has demonstrated that it is more likely than not that challenged claims 13 and 14 are unpatentable under 35 U.S.C. § 101.

D. Obviousness Over Gruse and Stefik

Samsung asserts that claims 13 and 14 would have been obvious over Gruse and Stefik under 35 U.S.C. § 103. Pet. 3. Claim 3, from which claim 13 depends, recites (emphasis added):

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the *at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.*

Claim 14 includes a similar limitation. *See* Pet. 68 (in arguing that the disclosure teaches the limitations of claim 14, Samsung refers to its analysis of claim 3).

In support of its assertion that the combination of Gruse and Stefik teaches these limitations, Samsung provides the following:

Gruse in view of Stefik renders obvious that the processor on the data access terminal implements code responsive to receiving the payment validation data (e.g., license SC) to receive at least one access rule (e.g., Store Usage Conditions 519) from the data supplier (e.g., Content Hosting Site(s) 111) and then to write the access rule (e.g., Store Usage Conditions 519) to the data carrier (e.g., the Docu-Card device of Stefik). The access rule specifies conditions for accessing the retrieved data (e.g., songs) written into the data carrier (e.g., the DocuCard device of Stefik). The access rule depends on the amount of payment (e.g., fees the user has paid for the content) associated with the payment data (e.g., credit card information)

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forwarded to the payment validation system (e.g., Clearinghouse 105).

Pet. 62. Samsung also cites to the following disclosure from Gruse:

[T]he Store Usage Conditions 519 purchased by the End-User(s) . . . is included in the License Watermark 527 and used by the End-User Device(s) 109 in Copy and Play Control.

Pet. 65 (citing Ex. 1006, 93:⁸11–13). Based on this disclosure, Samsung asserts that “[t]he Storage Usage Conditions 519 has been purchased by the End-User(s) and is thus dependent upon the amount of payment the particular end-user made towards the purchase.”

Pet. 65.

The claims, however, recite “at least one access rule specifying at least *one condition for accessing the retrieved data written into the data carrier*,” and that “condition being *dependent upon the amount of payment associated with the payment data forwarded to the payment validation system*.” Samsung’s citation to Gruse does not show sufficiently how the condition for accessing the data written into the data carrier is dependent upon the amount of payment associated with the payment data forwarded to the payment validation system. Nor does Samsung explain that a person of ordinary skill would find such dependency obvious.

Thus, Samsung has not persuaded us that the combination of Gruse and Stefik teach or suggest the limitations referred to above.⁹

⁸ The page number refers to the numbers at the top of the page in Ex. 1006.

⁹ Given that we do not institute a covered business method review based on this ground, we need not address Smartflash’s remaining arguments, (Footnote continued on next page

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For the reasons set forth above, Samsung has failed to establish that it is more likely than not that it would prevail in demonstrating that claims 13 and 14 are unpatentable as obvious over Gruse and Stefik.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Samsung would prevail in establishing the unpatentability of claims 13 and 14 of the '720 patent under 35 U.S.C. § 101, but does not establish that it is more likely than not that Samsung would prevail in establishing the unpatentability of claims 13 and 14 as obvious over the combination of Gruse and Stefik under 35 U.S.C. § 103.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the sole ground that claims 13 and 14 are directed to patent ineligible subject matter under 35 U.S.C. § 101;

FURTHER ORDERED that the trial is limited to the ground identified above. No other grounds are authorized; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

including that Gruse has not been shown to be prior art against the challenged claims under 35 U.S.C. § 102(a). *See* Prelim. Resp. 14–20.

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Paper 11
Entered: August 6, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00118
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review and Grant of Motion
for Joinder

37 C.F.R. § 42.208

37 C.F.R. § 42.222(b)

Appx725

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I. INTRODUCTION

Petitioner, Apple Inc. (“Apple”), filed a Petition requesting covered business method patent review of claims 13 and 14 (the “challenged claims”) of U.S. Patent No. 7,334,720 (Ex. 1001, “the ’720 patent”) (Paper 2, “Pet.”). On June 1, 2015, Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response (Paper 7, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

Concurrently with its Petition, Apple filed a Motion for Joinder (Paper 3, “Mot.”), seeking to consolidate this case, under 35 U.S.C. § 325(c), with the covered business method patent review in *Samsung Electronics America, Inc. v. Smartflash, LLC*, Case CBM2014-00190 (“the Samsung CBM”), which was instituted on April 2, 2015. *See* CBM2014-00190 (Paper 9, 18) (instituting review of claims 13 and 14 of the ’720 patent under 35 U.S.C. § 101). Smartflash does not oppose Apple’s Motion for Joinder. Paper 10, 1.

For the reasons explained below, we institute covered business method patent review of claims 13 and 14 of the ’720 patent and grant Apple’s Motion for Joinder.

II. INSTITUTION OF COVERED BUSINESS METHOD PATENT REVIEW ON SAME GROUND ASSERTED IN THE SAMSUNG CBM

In view of the identity of the challenge in the instant Petition and that instituted in CBM2014-00190, we determine that it is more likely than not

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that Petitioner will prevail on its challenge that claims 13 and 14 of the '720 patent are unpatentable. We previously have determined that the '720 patent is a "covered business method patent." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a); *see also* CBM2014-00104, Paper 9, 8–13 (determining that the '720 patent is eligible for covered business method patent review based on claim 14); CBM2014-00105, Paper 9, 8–13 (determining that the '720 patent is eligible for covered business method patent review based on claim 14); CBM2014-00190, Paper 9, 7–11 (determining that the '720 patent is eligible for covered business method patent review based on claim 14); CBM2014-00196, Paper 9, 7–11 (determining that the '720 patent is eligible for covered business method patent review based on claim 14); CBM2015-00028, Paper 11, 5–10 (determining that the '720 patent is eligible for covered business method patent review based on claim 2); CBM2015-00029, Paper 11, 6–11 (determining that the '720 patent is eligible for covered business method patent review based on claim 14).

Smartflash argues that "Petitioner cites claim 14 as an example of the '720 Patent being a covered business method review in its request that CBM review be instituted," but "claim 14 does not, in fact, meet the requirements for instituting a review." Prelim. Resp. 10. As noted above, however, the '720 patent already has been determined to be a covered business method patent based on claim 14, and Smartflash fails to identify error in that determination. Further, as also noted above, we previously have determined that the '720 patent contains at least one other claim meeting the covered business method patent review requirements (e.g., claim 2). *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed.

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Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8) (a patent need have only one claim directed to a covered business method to be eligible for review).

Here, Apple challenges the same claims (claims 13 and 14), based upon the same ground, 35 U.S.C. § 101, for which covered business method patent review was instituted in the Samsung CBM. Pet 14–29; Mot. 8. We have reviewed the Preliminary Response presented by Smartflash and are not persuaded that we should deny institution in this proceeding. In its Preliminary Response, Smartflash does not attempt to rebut Apple’s contentions regarding the unpatentability of claims 13 and 14 under 35 U.S.C. § 101. Rather, Smartflash argues that the Petition should be denied because it disregards the Board’s exercise of discretion under 35 U.S.C. § 325(d) to decline to institute CBM patent review in CBM2015-00029 (Prelim. Resp. 4–6) and “would be contrary to the PTAB’s mandate” of securing the just, speedy, and inexpensive “resolution of the issues surrounding the ’720 patent” (*id.* at 7). These arguments are not persuasive.

We declined to institute CBM review of claim 13 and 14 in CBM-00029 because claims 13 and 14 because we had already instituted review of these claims on § 101 grounds in the Samsung CBM (CBM2015-00029, Paper 11, 15). In its Motion for Joinder, Apple requests that it

be permitted to join the Samsung CBM proceedings to ensure that the earlier proceeding on claims 13 and 14 proceeds through to a final written decision regardless of whether Samsung seeks to terminate its involvement in CBM2014-000190 (e.g., as a result of settlement).

Mot. 7–8. Apple notes that in this proceeding, the “petition does not assert any new grounds of unpatentability. It involves the same ’720 patent and—

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as discussed above—the same arguments, evidence and grounds of unpatentability as the Board instituted in CBM2014-00190.” *Id.* at 8. Apple further states that “[a]lthough it otherwise presents the same arguments as the Samsung CBM Petition, the Apple Petition here removes grounds on which the Board did not institute in CBM2014-00190, and Apple does not assert those grounds in its concurrently filed petition.” *Id.* Apple further notes that it has “re-filed the same expert declaration submitted by Samsung, and so this declaration contains no material that is not already in the previously-filed declaration” and “a second deposition of a second expert is not necessary.” *Id.* at 8–9.

Based on the specific facts of this case, we institute a covered business method patent review in this proceeding on the same ground, namely under 35 U.S.C. § 101, as that on which we instituted in the Samsung CBM for claims 13 and 14 of the ’720 patent. We do not institute a covered business method patent review on any other ground.

III. GRANT OF MOTION FOR JOINDER

As noted above, Smartflash does not oppose Apple’s request to consolidate this Petition with the Samsung CBM. Paper 10, 1.

As noted above, the only ground upon which we institute a covered business method patent review in this proceeding is the challenge to claims 13 and 14 of the ’720 patent based on 35 U.S.C. § 101. Apple, thus, does not assert any new ground of unpatentability that is not already being considered in the Samsung CBM. Mot. 8. Further, as noted above, Apple represents that the Petition includes the same arguments and relies on the same evidence and grounds of unpatentability that were the basis for the Board’s decision to institute trial in the Samsung CBM. *Id.* at 8–9.

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Under the circumstances, we conclude Apple has demonstrated that consolidation of the two cases will not unduly complicate or delay the Samsung CBM, and therefore, we grant Apple's Motion for Joinder to consolidate this proceeding with the Samsung CBM. All filings in the consolidated proceeding will be made by Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. ("Samsung") on behalf of Samsung and Apple. Apple shall not file any separate papers or briefing in these consolidated proceedings without authorization from the Board. In addition, Apple shall not seek any additional discovery beyond that sought by Samsung.

Samsung and Apple shall resolve any disputes between them concerning the conduct of the consolidated proceedings and contact the Board if any such matters cannot be resolved. No additional burdens shall be placed on Smartflash as a result of the consolidation.

In consideration of the above, we institute a covered business method patent review in CBM2015-00118 and grant Apple's Motion for Joinder.

IV. ORDER

Accordingly, it is

ORDERED that the challenge to claims 13 and 14 in CBM2015-00118, as unpatentable under 35 U.S.C. § 101, is instituted;

FURTHER ORDERED that this proceeding is consolidated with CBM2014-00190;

FURTHER ORDERED that the ground on which CBM2014-00190 was instituted is unchanged, and no other grounds are instituted in the consolidated proceeding;

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FURTHER ORDERED that the Scheduling Order in place for CBM2014-00190 shall govern the consolidated proceeding;

FURTHER ORDERED that, throughout the consolidated proceeding, any paper, except for a motion that does not involve the other party, shall be filed by Samsung, as a single, consolidated filing on behalf of Samsung and Apple, and Samsung will identify each such filing as a consolidated filing;

FURTHER ORDERED that except as otherwise agreed by counsel, Samsung will conduct cross-examination and other discovery on behalf of Samsung and Apple, and that Smartflash is not required to provide separate discovery responses or additional deposition time as a result of the consolidation;

FURTHER ORDERED that CBM2015-00118 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2014-00190;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2014-00190 and CBM2015-00118; and

FURTHER ORDERED that the case caption in CBM2014-00190 shall be changed to reflect consolidation with this proceeding in accordance with the attached example.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS LTD, SAMSUNG ELECTRONICS
AMERICA, INC., and APPLE INC.

Petitioner,

v.

SMARTFLASH LLC

Patent Owner.

Case CBM2014-00190¹

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¹ CBM2015-00118 has been consolidated with this proceeding.

Leahy-Smith America Invents Act (2011), Pub. L. No. 112-29, 125 Stat. 284

* * * * *

§ 18. Transitional Program for Covered Business Method Patents.

(a) TRANSITIONAL PROGRAM.—

(1) ESTABLISHMENT.—Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of—

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of

1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

* * * * *

(d) DEFINITION.—

(1) IN GENERAL.—For purposes of this section, the term “covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(2) REGULATIONS.—To assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.

* * * * *

37 C.F.R. § 42.301

§ 42.301. Definitions

In addition to the definitions in § 42.2, the following definitions apply to proceedings under this subpart D:

(a) Covered business method patent means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(b) Technological invention. In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CERTIFICATE OF SERVICE

I certify that I served a copy on counsel of record on February 21, 2017

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February 21, 2017

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