UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

_____

Case CBM2014-00106
Case CBM2014-00107
Patent 8,033,458 B2

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

PLENZLER, *Administrative Patent Judge*.

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

I.   INTRODUCTION

A. *Background*

Apple Inc. ("Petitioner") filed two Petitions to institute covered

business method patent review of claims 1, 6–8, 10, and 11 ("challenged

claims") 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").

CBM2014-00106, Paper 2 ("'106 Pet."); CBM2014-00107, Paper 2 ("'107

Pet.").[1] Smartflash LLC ("Patent Owner") filed a Preliminary Response in

each of the two cases. CBM2014-00106, Paper 6 ("'106 Prelim. Resp.");

CBM2014-00107, Paper 6 ("'107 Prelim. Resp.").[2]

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."

B. *Asserted Grounds of Unpatentability and Evidence of Record*

Petitioner contends that the challenged claims are unpatentable under

35 U.S.C. §§ 102 and 103 based on the following grounds ('106 Pet. 21–22,

27–78; '107 Pet. 22–23, 28–78).

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[1] Exhibit numbers common to both CBM2014-00106 and CBM2014-00107
will not include a case prefix designation.
[2] 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. '106 Prelim. Resp. 12-13; '107
Prelim. Resp. 12–13. 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 '106 and the '107 Petitions is within that requirement.

References	Basis	Claims Challenged
CBM2014-00106		
Stefik '235[3] and Stefik '980[4]	§ 102[5]	6–8, 10, and 11
Stefik '235 and Stefik '980	§ 103	1, 6–8, 10, and 11
Stefik '235, Stefik '980, and Sato[6]	§ 103	1, 6–8, 10, and 11
Stefik '235, Stefik '980, and Poggio[7]	§ 103	1, 6–8, 10, and 11
Stefik '235, Stefik '980, Poggio, and Sato	§ 103	1, 6–8, 10, and 11
Stefik '235, Stefik '980, Poggio, and Rydbeck[8]	§ 103	1
CBM2014-00107		
Ginter[9]	§ 102	1, 6–8, 10, and 11
Ginter	§ 103	1, 6–8, 10, and 11
Ginter, Stefik '235, and Stefik '980	§ 103	1, 6–8, 10, and 11
Ginter and Sato	§ 103	1, 6–8, 10, and 11

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[3] U.S. Patent No. 5,530,235, issued June 25, 1996 (Ex. 1013, "Stefik '235").
[4] U.S. Patent No. 5,629,980, issued May 13, 1997 (Ex. 1014, "Stefik '980").
[5] Petitioner contends that Stefik '235 and Stefik '980 should be treated as a single reference and refers to the references collectively as "Stefik." '106 Pet. 27. Patent Owner disagrees that Stefik '235 and Stefik '980 should be considered as one reference. '106 Prelim. Resp. 14–15. We do not reach this issue, as Petitioner has not shown sufficiently that any of the teachings in either Stefik '235 or Stefik '980 discloses the claimed "use status data" required by claims 6–8, 10, and 11, as discussed below.
[6] JP Patent Application Publication No. H11-164058 (including translation), published June 18, 1999 (Ex. 1018, "Sato").
[7] EP 0809221 A2, published November 26, 1997 (Ex. 1016, "Poggio").
[8] WO 99/43136, published August 26, 1999 (Ex. 1017, "Rydbeck").
[9] U.S. Patent No. 5,915,019, issued June 22, 1999 (Ex. 1115, "Ginter").

References	Basis	Claims Challenged
Ginter and Poggio	§ 103	1
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	1
Ginter and Maari[10]	§ 103	8

Petitioner also provides testimony from Anthony J. Wechselberger ("the Wechselberger Declaration").[11] Ex. 1021; Ex. 1121.

For the reasons given below, we institute a covered business method patent review of challenged claim 1. We deny institution of a covered business method patent review of challenged claims 6–8, 10, and 11.

C. Related Matters

Petitioner indicates that the '458 patent is the subject of the following co-pending federal district court cases: *Smartflash LLC v. Apple Inc.*, 6:13-CV-447 (E.D. TX); and *Smartflash LLC v. Samsung,* 6:13-CV-448 (E.D. TX). '106 Pet. 20; '107 Pet. 21–22.

In addition to the '106 Petition and the '107 Petition, Petitioner has filed the following Petitions for covered business method patent reviews, challenging claims of Patent Owner's patents disclosing similar subject matter: U.S. Patent Nos. 8,118,221 (CBM2014-00102/103), 8,061,598

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[10] JP Patent Application Publication No. H10-269289 (including translation), published October 9, 1998 (Ex. 1119, "Maari").
[11] On this record, we are not persuaded by Patent Owner's argument that we should disregard the Wechselberger Declaration. *See* Prelim. Resp. 17-19. Patent Owner identifies purported omissions from the Declaration, but offers no evidence that Mr. Wechselberger used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field. *Id*.

(CBM2014-00104/105), 8,061,598 (CBM2014-00108/109), 8,336,772
(CBM2014-00110/111), and 7,942,317 (CBM2014-00112/113).

 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. 1001, 1:21–
23. Figure 9 of the '458 patent, reproduced below, illustrates components of
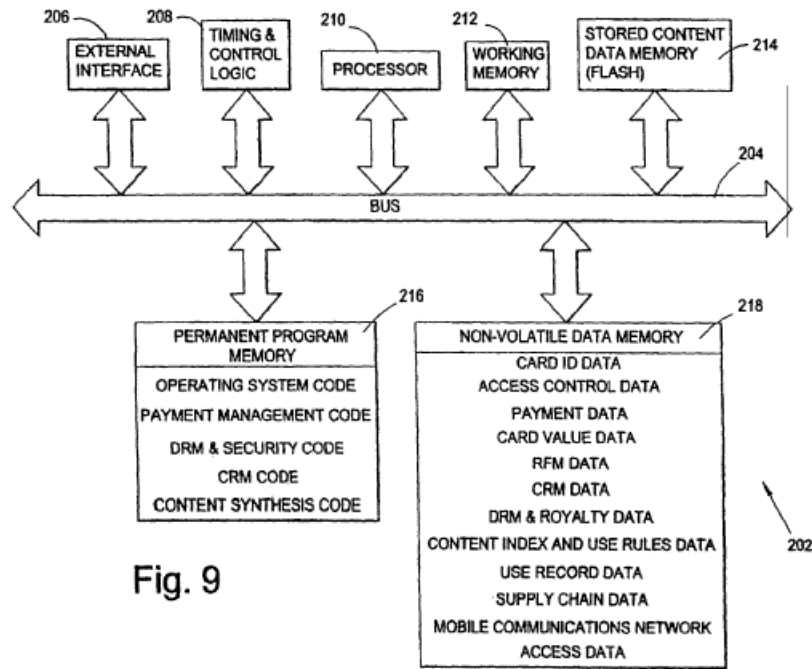a portable data carrier.

Fig. 9

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 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.
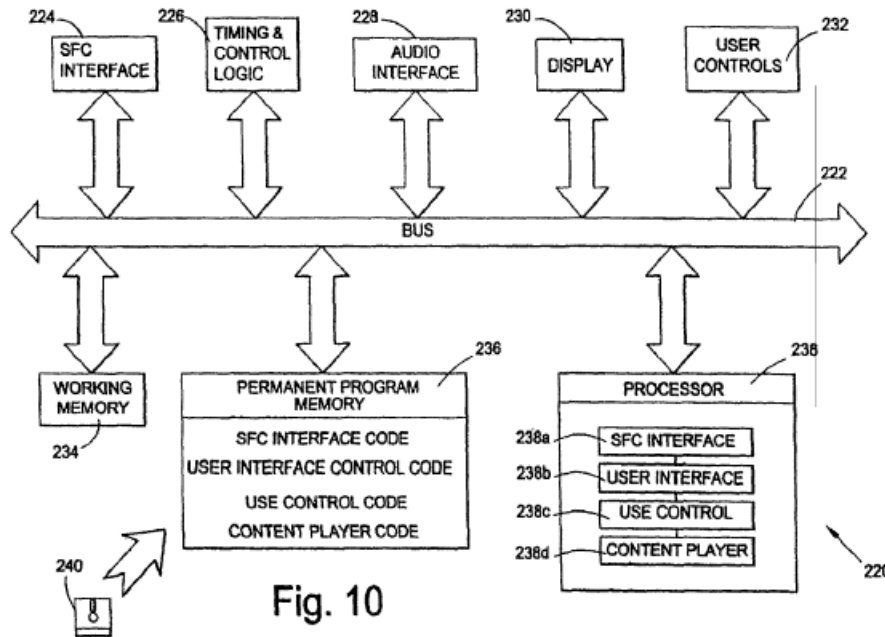

Fig. 10

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.

E.   *Challenged Claims*

As noted above, Petitioner challenges claims 1, 6–8, 10, and 11. Claims 1 and 6 are independent, with claims 7, 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 operator

wherein 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

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.

II. 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). Petitioner proposes a construction of several claim terms of the '458 patent ('106 Pet. 22–27; '107 Pet. 23–28), and Patent Owner does not propose constructions for any of the claim terms. We determine that the claim terms do not require an express construction at this stage of the proceeding.

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 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 1 "clearly concerns a computer system (corresponding to methods discussed and 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.*" '106 Pet. 15; '107 Pet. 16. 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. 1001, 1:21–23. The specification also states repeatedly that the disclosed invention involves handling payment data. *See, e.g.,* Ex. 1001, 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. '106 Prelim. Resp. 4–6; '107 Prelim. Resp. 4–6. 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 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." '106 Prelim. Resp. 8; '107 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 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.

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." '106 Pet. 15–20; '107 Pet. 16–21. 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*

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solution.'" '106 Pet. 15 and '107 Pet. 16 (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. '106 Prelim. Resp. 9–10; '107 Prelim.

Resp. 9–10.

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 discloses 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. 1001, 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

Organization) series of standards, including ISO 7810, ISO 7811, ISO 7812,

ISO 7813, ISO 7816, ISO 9992 and ISO 10102" (*id.* at 17:11–15) 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 "a portable data carrier that allows a

subscriber to be identified to a network operator" ('106 Prelim. Resp. 9;
'107 Prelim. Resp. 9) with the technological solution of "a subscriber
identity module (SIM) portion to identify the subscriber to the network
operator" ('106 Prelim. Resp. 10; '107 Prelim. Resp. 9). We are not
persuaded by this argument because, as Petitioner argues, the problem being
solved by claim 1 is a business problem—data piracy. '106 Pet. 18–19; '107
Pet. 20. 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 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.

C. Anticipation by Stefik '235 and Stefik '980

Petitioner contends that claims 6–8, 10, and 11 are anticipated by
Stefik '235 and Stefik '980. '106 Pet. 21, 27–31, 56–78. We are not
persuaded by Petitioner's contentions for the reasons discussed below.

Independent claim 6 recites that the data access device includes "code
to retrieve *use status data* indicating a use status of data stored on the
carrier." Emphasis added. Petitioner contends that Stefik '235 and Stefik
'980 each disclose this limitation. '106 Pet. 30, 67. Specifically, Petitioner
contends that the usage rights in each of Stefik '235 and Stefik '980

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correspond to the claimed "use status data." *Id.* Petitioner also argues that "[t]hese usage rights and conflict rules for data stored in the repository, such as a DocuCard, indicate the status of rights and functions available to the requesting user or fees associated with the use ('permissible use of the stored data')." *Id.* at 30; *see also id.* at 67. Petitioner's claim chart also cites portions of Stefik '235 and Stefik '980, as well as the Wechselberger Declaration, to support Petitioner's contentions that "usage rights" satisfies the claimed "use status data." *Id.* (citing Ex. 1013, Abstract, 3:9–11, 4:40–43, 8:8–10; Ex. 1014, Figs. 10, 15, 18, Abstract, 6:42–55, 7:24–26, 10:28–32 and Table 1, 11:59–12:7, 14:15–27, 17:66–18:6; 19:12–15, 31:26–35; Ex. 1021, App'x D, 85–86). The cited portions of the Wechselberger Declaration repeat the contentions presented in the claim chart. *See* Ex. 1021, App'x D, 85–86.

The portions of Stefik '235 and Stefik '980 quoted by Petitioner's claim chart relate to usage rights attached to digital works. *See* '106 Pet. 67 (quoting Ex. 1013, 3:9–11, 4:40–46, 8:8–10). For example, Stefik '235 explains that "[u]sage rights are attached to digital works and control how the digital work can be used or distributed, and are further used to specify any fees associated with use or distribution of digital works." Ex. 1013, 4:40–43. Petitioner does not explain sufficiently why usage rights, as taught by Stefik '235 and Stefik '980, satisfies "use status data." For example, Petitioner does not explain why usage rights in Stefik '235 and Stefik '980 fall within the examples of "use status data" provided by the specification of the '458 patent (e.g., past usage of stored data, that stored data has not been accessed, the number of times stored data has been accessed, the duration of

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access of stored data, etc.). Ex. 1001, 9:32–39, 24:63–25:11. Thus, we are not persuaded that either Stefik '235 or Stefik '980 discloses this limitation.

For the reasons set forth above, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claim 6 as anticipated by either Stefik '235 or Stefik '980. For the same reasons, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging dependent claims 7, 8, 10, and 11 as anticipated by Stefik '235 and Stefik '980.

D. Obviousness over Stefik '235 and Stefik '980

Petitioner contends that claims 1, 6–8, 10, and 11 would have been obvious over Stefik '235 and Stefik '980.[12] '106 Pet. 21, 27–31, 39–78. We find Petitioner's contentions regarding claim 1 persuasive, but are not persuaded by Petitioner's contentions regarding claims 6–8, 10, and 11 for the reasons discussed below.

1. Claim 1

Stefik '235 describes a data storage device (repository) including "an I/O port for interfacing to external devices for reading and writing digital information" (Ex. 1013, Abstract, 2:37–39), "a nonvolatile storage means for storing information in a digital form" (*id.* at Abstract, 2:35–36), "a credit server for reporting usage fees that are associated with the access to a document" (*id.* at 6:22–24), "internal memory means contain[ing]

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[12] Patent Owner's arguments addressing this ground are directed at the combined teachings of Stefik '235 and Stefik '980. '106 Prelim. Resp. 15–16. Petitioner, however, appears to rely on the disclosures of Stefik '235 and Stefik '980 individually, as alternatively disclosing the limitations of claim 1, rather than any modification to either reference based on their combination. *See* '106 Pet. 21, 27–31, 39–78.

programming instructions" (*id.* at 5:45–46), and a controller module (*id.* at 5:34–41), which Petitioner contends correspond to the claimed "interface," "non-volatile data memory," "non-volatile payment data memory," "program store," and "processor," respectively ('106 Pet. 39–49). We are persuaded by these contentions.

With respect to the claimed SIM portion, Petitioner contends that one skilled in the art "would have been motivated and found it obvious to employ a memory card for a mobile or cellular device that included a SIM portion that identifies a subscriber to a network operator, such as a mobile phone, as a repository in Stefik's content distribution and access network." *Id.* at 49 (citing Ex. 1021, App'x D at 63–64). Mr. Wechselberger's testimony supports this contention. Ex. 1021, 64. As Petitioner points out, Stefik '235 explains that each repository has an identifier such as "a unique number assigned to the DocuCard upon manufacture." '106 Pet. 49 (quoting Ex. 1013, 8:4–7). We are persuaded, for purposes of this decision, that one skilled in the art would have found it obvious to use a SIM portion as the identifier in Stefik '235.

In addition, Petitioner cites the credit server in Stefik '235 as teaching the claimed "*code* to output payment data from the payment data memory to the interface" and the discussion of data being written to the repository (DocuCard) as teaching the claimed "*code* to provide external access to the data memory." *Id.* at 52–53 (citing Ex. 1013, Fig. 2, Abstract, 6:22–24, 6:60–65, 7:2–4, 7:12–13). We are persuaded by these contentions for the following reasons. Stefik '235 explains that "a DocuCard [repository] may also have stored within it a credit server for reporting usage fees that are associated with the access to a document." Ex. 1013, 6:22–24. Stefik '235

additionally explains that the DocuCard (repository) "has an interface for sending and receiving data, data memory for storing received content data, and payment validation memory for providing payment validation data to an external device." *Id.* at Abstract.

Petitioner makes substantially similar contentions in support of its assertion that claim 1 would have been obvious over Stefik '980. '106 Pet. 27–31, 39–56. For reasons similar to those discussed above with respect to Steifik '235, we are persuaded by Petitioner's contentions that claim 1 would have been obvious over Stefik '980.

Further, we are persuaded that one skilled in the art would have combined the teachings of Stefik '235 and Stefik '980 because, as Petitioner notes, "there is explicit motivation to implement the repository disclosed by Stefik '980 using the Document Card (DocuCard) of Stefik '235." Pet. 27 fn. 10 (citing Ex. 1013, 2:47–52).

Accordingly, we conclude that the information presented shows that it is more likely than not that Petitioner would prevail in demonstrating that claim 1 would have been obvious over Stefik '235 and Stefik '980.

2. *Claims 6–8, 10, and 11*

Petitioner's arguments that claims 6–8, 10, and 11 would have been obvious over Stefik '235 and Stefik '980 do not cure the deficiency we noted above in our analysis as to why Petitioner has not persuaded us that either Stefik '235 or Stefik '980 discloses "use status data." For the same reasons, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claims 6–8, 10, and 11 as having been obvious over Stefik '235 and Stefik '980.

E. Additional Grounds based on Stefik '235 and Stefik '980

Petitioner additionally challenges claims 1, 6–8, 10, and 11 as having been obvious over various combinations of Stefik '235, Stefik '980, Sato, and Poggio, and claim 1 as having been obvious over the combination of Stefik '235, Stefik '980, Poggio, and Rydbeck. '106 Pet. 31–79.

1. Claim 1

For the additional challenges to claim 1 noted above, we deny these additional grounds as redundant in light of our determination that it is more likely than not that Petitioner would prevail in demonstrating that claim 1 would have been obvious over Stefik '235 and Stefik '980.

2. Claims 6–8, 10, and 11

Petitioner's arguments that claims 6–8, 10, and 11 would have been obvious over Stefik '235 and Stefik '980 in combination with the additional references noted above do not cure the deficiency we noted above in our analysis as to why Petitioner has not persuaded us that either Stefik '235 or Stefik '980 discloses "use status data." For the same reasons, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claims 6–8, 10, and 11 as having been obvious over: (1) Stefik '235, Stefik '980, and Sato; (2) Stefik '235, Stefik '980, and Poggio; and (3) Stefik '235, Stefik '980, Sato, and Poggio.

F. Anticipation by Ginter

Petitioner contends that claims 1, 6–8, 10, and 11 are anticipated by Ginter. '107 Pet. 28–32, 45–79. For the reasons discussed below, we are not persuaded by Petitioner's contentions.

1. Claim 1

Claim 1 requires "a subscriber identity module (SIM) portion to identify a subscriber to a network operator." Petitioner contends that Ginter discloses this limitation because a personal digital assistant, provided as an example of an electronic appliance in Ginter, "communicates with the wide area network over a cellular connection and therefore necessarily and thus inherently includes a subscriber identity module (SIM) portion to identify the subscriber (e.g., user of electronic appliance) to a network operator." '107 Pet. 57–58 (citing Ex. 1115, 34:1–6, 161:5–11; Ex. 1121, App'x D at 80–82).

Patent Owner responds that "the Petition has not shown that Ginter inherently discloses 'a subscriber identity module (SIM) portion to identify a subscriber to a network operator.'" '107 Prelim. Resp. 14 (emphasis omitted). We agree with Patent Owner. We are not persuaded that Ginter's personal digital assistant inherently includes a SIM portion because the cited portions of Ginter simply list a personal digital assistant as an example of an electronic appliance (*see* Ex. 1115, 34:1–6) and explain that "the end user's electronic appliance 600 may initiate communications with a clearinghouse . . . across the electronic highway 108, or across other communications networks such as a LAN, WAN, two-way cable or using portable media exchange between electronic appliances" (*id.* at 161:5–11). The cited portion of the Wechselberger Declaration fails to offer any explanation as to why a SIM portion is present necessarily in Ginter's personal digital assistant and, instead, simply restates the allegation from the Petition. *See* Ex. 1121, 81.

Furthermore, a SIM card is designed for use with mobile devices that
comply with the Global System for Mobile Communications standard. *See,
e.g.*, *Microsoft Computer Dictionary*, 2d. Ed. (2002) ("SIM card *n.* Short for
Subscriber Identity Module card use with GSM (Global System for Mobile
Communications) mobile phones. SIM cards contain chips that store a
subscriber's personal identifier (SIM PIN), billing information, and data
(names, phone numbers)."). Petitioner identifies nothing in Ginter that
discloses that its personal digital assistant complies with the GSM standard,
and nothing in Ginter precludes the use of alternative standards. To the
extent that Ginter's personal digital assistant communicates over a wireless
wide area network based on a standard other than GSM, it does not
necessarily require a SIM card. Accordingly, on this record, we are not
persuaded that a SIM card is inherent in Ginter.

For the reasons set forth above, Petitioner has failed to establish that it
is more likely than not that it would prevail in challenging claim 1 as
anticipated by Ginter.

2. *Claims 6–8, 10, and 11*

Turning to claim 6, Petitioner cites "billing method map MDE and/or
budget method UDE" as corresponding to the claimed "use rules data
indicating permissible use of data stored on the carrier." '107 Pet. 71.
Ginter describes billing method map MDE as "a price list, table, or
parameters to the billing amount calculation algorithm" (Ex. 1115, 190:47–
50), and budget method UDE as "limitations on usage of information
content 304, and how usage will be paid for" (*id.* at 59:18–20). Petitioner
does not explain sufficiently, however, why a price list (billing method map
MDE) and/or limitations on information content usage (budget method

UDE), for example, discloses "data indicating permissible use of data stored on the carrier," as recited by claim 6.

For the reasons set forth above, Petitioner has failed to establish that it is more likely than not that it would prevail in demonstrating that claim 6 is unpatentable as anticipated by Ginter. For the same reasons, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging dependent claims 7, 8, 10, and 11 as anticipated by Ginter.

G. Obviousness over Ginter

Petitioner further contends that claims 1, 6–8, 10, and 11 would have been obvious over Ginter. '107 Pet. 28–32, 45–79. For the reasons discussed below, we are persuaded by Petitioner's contentions regarding claim 1, but are not persuaded by Petitioner's contentions regarding claims 6–8, 10, and 11.

1. Claim 1

Ginter describes portable electronic appliance (PEA) 2600, which Petitioner considers as corresponding to the claimed data carrier. '107 Pet. 45. Ginter describes PEA 2600 as "compris[ing] means to perform substantially all of the functions of a VDE electronic appliance 600." Ex. 1115, 229:18–20. Ginter describes components of PEA 2600 including electrical connector 2604 (*see id.*, 228:39–50), removable/replaceable memory device 2622 (*see id.*, 230:7–9), non-volatile memory in SPU 500 (*see id.*, 169:4–6), ROM 532 (*see id.*, 65:42–51), and microprocessor 520 (*see id.*), which Petitioner contends correspond to the claimed "interface," "non-volatile data memory," "non-volatile payment data memory," "program store," and "processor," respectively ('107 Pet. 45–56). We are persuaded by Petitioner's contentions.

With respect to the claimed SIM portion, Petitioner contends that one skilled in the art "would have considered it at minimum obvious for the portable data carrier (e.g. electronic appliance) to communicate with Ginter's network using a cellular connection and therefore to include a subscriber identity module (SIM) portion," and that for similar reasons, it also would have been obvious to include a SIM portion in Ginter's PEA. *Id.* at 58 (citing Ex. 1121, App'x D at 80–82). Mr. Wechselberger's testimony supports this contention. Ex. 1121, 81. As Petitioner points out, Ginter explains that "[p]ortable appliance 2600 RAM 534 may contain, for example, information which can be used to uniquely identify each instance of the portable appliance." '107 Pet. 59–60 (quoting Ex. 1115, 229:13–18). Patent Owner responds with unpersuasive arguments, alleging, generally, that one skilled in the art would not have modified Ginter as proposed by Petitioner. *See* '107 Prelim. Resp. 15–16. We are persuaded, for purposes of this decision, that one skilled in the art would have found it obvious to use a SIM portion in Ginter's PEA.

Petitioner cites Ginter's discussion of providing credit or debit card information to a retail terminal as teaching the claimed "code to output payment data from the payment data memory to the interface" ('107 Pet. 62–63 (citing Ex. 1115, 232:19–24)) and Ginter's discussion of user access to content via delivery from the VDE server to the user's electronic appliance as teaching the claimed "code to provide external access to the data memory." '107 Pet. 65–66 (citing Ex. 1115, 224:66–225:8). We are persuaded by these contentions for the following reasons. Ginter explains that "portable appliance 2600 VDE secure subsystem may provide authentication and appropriate credit or debit card information to the retail

terminal VDE secure subsystem." *Id.* at 232:21–24. Ginter additionally
explains that "an object repository 728 storing VDE objects could be
maintained at the centralized server, and each of many networked electronic
appliance 600 users could access the centralized object repository over the
network 672 as needed." *Id.* at 224:66–225:3. Ginter further notes that
"[t]he 'VDE server' could deliver all or a portion of the requested object 300
in response to the request." *Id.* at 225:6–8.

Petitioner makes substantially similar contentions in support of its
assertion that claim 1 would have been obvious over Ginter when Ginter's
electronic appliance 600 is considered the claimed portable data carrier.
'107 Pet. 45–66. For reasons similar to those discussed above, we are also
persuaded by Petitioner's contentions that claim 1 would have been obvious
over Ginter when Ginter's electronic appliance 600 is considered the
claimed a portable data carrier.

Accordingly, we conclude that the information presented shows that it
is more likely than not that Petitioner would prevail in demonstrating that
claim 1 would have been obvious over Ginter.

2. *Claims 6–8, 10, and 11*

Petitioner's arguments that claims 6–8, 10, and 11 would have been
obvious over Ginter do not cure the deficiency we noted above in our
analysis as to why Petitioner has not persuaded us that Ginter discloses "use
rules data." We agree with Patent Owner that Petitioner has simply provided
conclusory statements in support of the obviousness challenge. *See* '107
Prelim. Resp. 15–16.

For example, although Petitioner alleges that Ginter renders the
claimed "use rules data" of claim 6 obvious, Petitioner fails to provide

sufficient support for this conclusion. *See* '107 Pet. 72 n. 29. Instead, Petitioner discusses Ginter "using a budget method UDE specific to a particular VDE content object to limit access to that VDE content object," and simply concludes that one skilled in the art "would have considered it at minimum obvious to use a budget method UDE indicating permissible use of a particular data item (e.g., VDE content object) to limit user access to that particular content item (e.g., VDE content object)." *Id.* Petitioner, however, does not explain why limiting access to a VDE content object based on Ginter's budget method UDE teaches "indicating permissible use of data stored on the carrier," as recited by claim 6. Petitioner does not provide any further rationale as to why these claims would have been obvious over Ginter, and the cited portion of the Wechselberger Declaration simply reiterates Petitioner's contentions and conclusory reasoning. *See* '107 Pet. 72 n. 29; Ex. 1121, App'x D 103–104.

For the reasons set forth above, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claim 6 as having been obvious over Ginter. For the same reasons, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging dependent claims 7, 8, 10, and 11 as having been obvious over Ginter.

H. Additional Grounds based on Ginter

Petitioner additionally challenges claims 1, 6–8, 10, and 11 as having been obvious over various combinations of Ginter, Stefik '235, Stefik '980, and Sato, claim 1 as having been obvious over various combinations of Ginter, Poggio, Stefik '235, and Stefik '980, and claim 8 as having been obvious over the combination of Ginter and Maari. '107 Pet. 35–79.

1. *Claim 1*

For the additional challenges to claim 1 noted above, we deny these additional grounds as redundant in light of our determination that it is more likely than not that Petitioner would prevail in demonstrating that claim 1 would have been obvious over Ginter.

2. *Claims 6–8, 10, and 11*

Petitioner's challenges to claims 6–8, 10, and 11 as having been obvious over Ginter in combination with the additional references noted above do not cure the deficiency in the challenge with respect to these claims based on anticipation by Ginter. Specifically, Petitioner does not allege that Sato, Stefik '235, Stefik '980, or Maari teach or suggest "use rules data," as recited in independent claim 6. Accordingly, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claims 6–8, 10, and 11 as having been obvious over: (1) Ginter, Stefik '235, and Stefik '980; and (2) Ginter and Sato, or dependent claim 8 as having been obvious over Ginter and Maari.

I. *Consolidation*

To administer the proceedings more efficiently, we exercise our authority under 35 U.S.C. § 325(d) to consolidate CBM2014-00106 and CBM2014-00107, and conduct the proceedings as one trial. The consolidated trial will continue as CBM2014-00106, with CBM2014-00107 being terminated.

III. SUMMARY

Petitioner has demonstrated that it is more likely than not that it would prevail on its challenge to the patentability of claim 1 of the '458 patent, but

has not demonstrated that it is more likely than not that it would prevail on its challenge to the patentability of claims 6–8, 10, and 11 of the '458 patent. At this stage of the proceeding, the Board has not made a final determination as to the patentability of any challenged claim.

IV.   ORDER

For the reasons given, it is

ORDERED that a covered business method patent review is granted based on the following proposed grounds:

A.   Claim 1 as unpatentable, pursuant to 35 U.S.C. § 103, over the combination of Stefik '235 and Stefik '980; and

B.   Claim 1 as unpatentable, pursuant to 35 U.S.C. § 103, over Ginter;

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

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;

FURTHER ORDERED that pursuant to 35 U.S.C. §§ 324 and 325(d), Cases CBM2014-00106 and CBM2014-00107 are hereby instituted and consolidated;

FURTHER ORDERED that all further filings in the consolidated proceedings shall be made only in CBM2014-00106, and the separate proceeding CBM2014-00107 is herein terminated under 37 C.F.R. § 42.72;

FURTHER ORDERED that the case caption for CBM2014-00106 shall be changed to reflect the consolidation in accordance with the attached example; and

FURTHER ORDERED that a copy of this Decision be entered into the files of Cases CBM2014-00106 and CBM2014-00107.

CBM2014-00106 and CBM2014-00107
Patent 8,033,458 B2

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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

_____

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

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Case CBM2014-00106[13]
Patent 8,033,458 B2

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[13] Case CBM2014-00107 has been consolidated with the instant proceeding.