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 CBM2014-00108
Case CBM2014-00109
Patent 8,061,598

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Before JENNIFER S. BISK, RAMA G. ELLURU, NEIL T. POWELL,
JEREMY M. PLENZLER, 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

INTRODUCTION

A. Background

Petitioner, Apple Inc. ("Apple"), filed a Petition in CBM2014-00108

(Paper 2, "108 Pet.") to institute a covered business method patent review of

claims 1, 2, 7, 13, 15, 26, and 31 (the "challenged claims") of U.S. Patent

No. 8,061,598 (Ex. 1001, "the '598 patent") pursuant to § 18 of the Leahy-

Smith America Invents Act ("AIA").[1] Apple also filed a Petition in

CBM2014-00109 (Paper 2, "109 Pet.") to institute a covered business

method patent review of the challenged claims of the '598 patent.

Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary

Response in CBM2014-00108 (Paper 6, "108 Prelim. Resp.") and in

CBM2014-00109 (Paper 6, "109 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."

B. Asserted Grounds

Apple contends that the challenged claims are unpatentable under

35 U.S.C. §§ 102 and/or 103 based on the following grounds (108 Pet. 26–

75; 109 Pet. 29–78).

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[1] 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. 108 Prelim. Resp. 11-13; 109
Prelim. Resp. 11-13. 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 108 and 109 Petitions is within that requirement.

Reference[s][2]	Basis	Claims challenged
CBM2014-00108		
Stefik '235 and Stefik '980 [3]	§ 102	1, 2, 7, 13, 15, and 31
Stefik '235 and Stefik '980	§ 103	1, 2, 7, 13, 15, 26, and 31
Stefik '235, Stefik '980, and Poggio	§ 103	7
Stefik '235, Stefik '980, and Sato	§ 103	26
Stefik '235, Stefik '980, and Rydbeck	§ 103	26
CBM2014-00109		
Ginter	§ 102	1, 2, 7, 13, 15, 26, and 31
Ginter	§ 103	1, 2, 7, 13, 15, 26, and 31 [4]

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[2] U.S. Patent No. 5,530,235 (Ex. 1013) ("Stefik '235"); U.S. Patent No. 5,629,980 (Ex. 1014) ("Stefik '980"); U.S. Patent No. 5,915,019 (Ex. 1015) ("Ginter"); European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1016) ("Poggio"); JP Patent Application Publication No. H11-164058 (translation) (Ex. 1018) ("Sato"). Citations are to exhibits filed in CBM2014-00108, unless otherwise noted.

[3] Petitioner contends that Stefik '235 and Stefik '980 should be treated as a single reference and refers to the references collectively as "Stefik." 108 Pet. 30, n.13. Patent Owner disagrees that Stefik '235 and Stefik '980 should be considered as one reference. 108 Prelim. Resp. 13-15. We do not reach this issue because even when considered as one reference, we determine that Stefik '235 and Stefik '980 do not teach all of the recited claim limitations in the same form and order as listed in the claim.

[4] Although claim 31 is omitted in the heading on page 43 of the 109 Petition, we include it here because it is identified as obvious over Ginter elsewhere in the Petition. *See, e.g.*, 109 Pet. 32–33, 43 ("Ginter . . . renders obvious to a POSITA each of claims 1, 2, 7, 13, 15, 26, and 31, based on the disclosures identified below.").

Reference[s][2]	Basis	Claims challenged
Ginter, Stefik '235, and Stefik '980	§ 103	1, 2, 7, 13, 15, and 26
Ginter and Sato	§ 103	1, 2, 7, 13, 15, and 26
Ginter and Poggio	§ 103	7
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	7

After considering the Petitions and Preliminary Responses, we determine that the '598 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. Based on the information presented, we institute a covered business method patent review of claim 26 of the '598 patent.

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '598 patent and identify the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.,* 108 Pet. 23; 108 Paper 5, 2. The parties also indicate that the '598 patent is the subject of a second district court case, to which Apple is not a party: *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.). *Id.*

Apple filed ten other Petitions for covered business patent review challenging claims of patents owned by Smartflash 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.

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 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 Claims

Apple challenges claims 1, 2, 7, 13, 15, 26, and 31 of the '598 patent. Claims 1, 26, and 31 are independent. Claims 2, 7, 13, and 15 depend from claim 1. Claims 1 and 31 are illustrative of the claims at issue and 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. 1001, 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;

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 construe the claim term "use rule."

1. "use rule"

The term "use rule" is recited in independent claims 1 and 31. 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 determine that "use rule" means "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

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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 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." 108 Pet. 16; 109 Pet. 16. Based on this record, we agree with Apple 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." 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.

Smartflash 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. 108 Prelim. Resp. 3–9; 109 Prelim. Resp. 3–9. 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 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." 108 Prelim. Resp. 8; 109 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 Smartflash point to any other authority that makes such a requirement. 108 Prelim. Resp. 8; 109 Prelim. Resp. 8. We determine that because payment is required by claim 7, as Smartflash 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.

2. Exclusion for Technological Inventions

Apple asserts that claim 7 does not fall within § 18(d)(1)'s exclusion for "technological inventions." 108 Pet. 17–22; 109 Pet. 18–23. In particular, Apple 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.* (quoting 37 C.F.R. § 42.301(b) (emphasis omitted)). Smartflash disagrees and argues that claim 7, as a whole, recites at least one technological feature. 108 Prelim. Resp. 11; 109 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. Claim 1, on which claim 7 depends, recites a "portable data carrier." This component, 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, 11:28–29; 108 Pet. 18; 109 Pet. 19. 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 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 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).

Smartflash 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 "data piracy" with the technological solution of "(1) a portable data carrier from which payment data is read and to which at least one content data item is written and (2) one or more use rules, also stored on the portable data carrier, specifying at least one use rule for using the content data item(s) written into the portable data carrier." 108 Prelim. Resp. 10–11; 109 Prelim. Resp. 10–11. We are not persuaded by this argument because, as Apple argues, the problem being solved by claim 7 is a business problem—data piracy. 108 Pet. 21–22; 109 Pet. 21–22. 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.

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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. Anticipation by Stefik '235 and Stefik '980

Apple argues that claims 1, 2, 7, 13, 15, and 31 are unpatentable under 35 U.S.C. § 102 as anticipated by Stefik '235 and Stefik '980. 108 Pet. 29-34, 41-76.

Analysis

Stefik '235 teaches a portable Document Card ("DocuCard") for storing information in a digital form, storing usage rights for the information, processing user-initiated functions and requests to access documents stored therein, interfacing to external devices for reading and writing digital information, and allowing a user to directly interact with the DocuCard. Ex. 1013, 2:29–40, 7:35-42.

Stefik '980 teaches a "repository" for storing digital works, controlling access to digital works, billing for access to digital works and maintaining the security and integrity of the system. Ex. 1014, 6:57–61.

We are not persuaded that Apple has shown that Stefik '980 and Stefik '235 disclose "use rules," as recited in independent claims 1 and 31. Apple cites the disclosure in Stefik '235 of a "description file contain[ing] the usage rights for the document," and "a rights portion 504 wherein the granted usage rights and their status are maintained," and the disclosure in Stefik '980 of "conflict rules . . . to dictate when and how a right may be exercised." 108 Pet. 46–48. The quoted portions of Stefik '235 and Stefik '980, however, do not show sufficiently that usage rights are "a rule

specifying a condition under which access to content is permitted," as we construed "use rules" to mean above. For example, rights portion 504 is described as "a data structure, such as a look-up table, wherein the various information associated with a right is maintained." Ex. 1013, 8:8–10; *see also* Ex. 1014, 9:54–10:1 (describing right code field 1001 and status information field 1002). An exemplary data structure is illustrated in Figure 10 of Stefik '980 and the information contained in such a data structure is indicated in Table 1. Ex. 1014, 10:28–32. Table 1 of Stefik '980 discloses, for example, a "Loan-Period" property with a value in "Time-Units" that is an "[i]ndicator of the maximum number of time-units that a document can be leased out." A data structure and the information within it, however, cannot be a rule. At best, a rule might use the information in the data structure—e.g., if the number of time-units that a document has been leased out is less than Loan-Period, then allow access—but the usage right itself (e.g., Loan-Period) is not "a rule specifying a condition under which access to content is permitted," as we have construed "use rules." Likewise, the conflict rules taught in Stefik '980 are not "a rule specifying a condition under which access to content is permitted," because they do not, themselves, "specify a condition under which access to content is permitted;" they merely specify which of two conflicting usage rights must be satisfied. Accordingly, on the record before us, we are not persuaded that Apple has provided sufficient and credible evidence that Stefik '235 and Stefik '980 disclose "use rules."

We also are not persuaded that Apple has shown that Stefik '980 and Stefik '235 disclose "use status data," as recited in claim 31. Apple contends that Stefik '235 and Stefik '980 each disclose this limitation. 108

Pet. 70–74. Specifically, Apple contends that "usage rights status . . . stored in a descriptor file" corresponds to the claimed "use status data." Pet. 72–74. Apple's claim chart also cites portions of Stefik '235 and Stefik '980, as well as the Wechselberger Declaration, to support Apple's contentions that "usage rights status" satisfies the claimed "use status data." *Id.* (citing Ex. 1013, Abstract, 3:9–11, 4:44–46, 5:55–57; Ex. 1014, Abstract, 6:42–55, 7:26–31, 10:28–32 and Table 1, 11:59–12:7, 14:15–27, 19:12–15, 31:26–35; Ex. 1021, App'x D, 90–93). The cited portions of the Wechselberger Declaration repeat the contentions presented in the claim chart. *See* Ex. 1021, App'x D, 90–93.

The portions of Stefik '235 and Stefik '980 quoted by Apple's claim chart relate to usage rights attached to digital works. *See* 108 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." *Id.* at 4:40–43. Apple further identifies a "status information field 1002" that "will contain information relating to the state of a right and the digital work." 108 Pet. 71 (quoting Ex. 1014, 10:28–32). Apple does not explain sufficiently, however, why usage rights status or status information field 1002 satisfy "use status data." For example, Apple does not explain why usage rights in Stefik '235 and Stefik '980 is within the scope of the examples of "use status data" provided by the Specification of the '598 patent (e.g., "indicating a use status of data" (Ex. 1001, 9:13–14), "indicating past use of the stored data" (*id.* at 9:33–35), "present use status" (*id.* at 24:38), "actual use of the data item made so far" (*id.* at 24:44–45), "how much use has been made of the

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accessed content data time" such as "start and end time markers or simply a play duration time" (*id.* at 24:67–25:4)). In addition to the quoted portions of Stefik '980, Apple also cites Table 1. 108 Pet. 71, 73. To the extent that Apple relies upon Table 1 of Stefik '980 as disclosing "use status data," Apple has not explained adequately the significance of that disclosure. Thus, we are not persuaded that either Stefik '235 or Stefik '980 discloses this limitation.

Conclusion

On this record, we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as anticipated by Stefik '235 and Stefik '980.

D. Obviousness over Stefik '235 and Stefik '980

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235 and Stefik '980. 108 Pet. 29–34, 41–76.

Analysis

In light of the arguments and evidence, Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over the combination of Stefik '235 and Stefik '980, but has not established that is is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Stefik '235 and Stefik '980.

For example, with respect to claim 26, Apple argues that "[a] POSITA 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." 108 Pet. 65, n.17; *see*

also id. at 4, n.2 (citing Ex. 1001, 4:9–13; Ex. 1011, 108). On this record, we are persuaded that Apple's citations support Apple's contentions.

We are not persuaded by Smartflash's argument that there is no evidence that one of ordinary skill in the art would have combined the teachings of Stefik '235 with the teachings of Stefik '980 because Smartflash's argument is based on an unproven premise that Stefik '235's reference to Stefik '980 must uniquely identify Stefik '980. 108 Prelim. Resp. 15. One reference need not explicitly identify another reference by "application serial number, filing date, inventors or attorney docket number" (*id.* at 14) in order to form the basis for an obviousness combination. Apple argues that "there is explicit motivation to implement the repository disclosed by Stefik '980 using the Document Card (DocuCard) of Stefik '235." 108 Pet. 30, n.13 (citing Ex. 1013, 2:47–52; Ex. 1014, 16:56–58; Ex. 1021 ¶ 56[5]). Stefik '980 teaches that "the repository could be embedded in a 'card' that is inserted into an available slot in a computer system" (Ex. 1014, 16:56–58), and Stefik '235 teaches a repository embedded in a card (Ex. 1013, 2:47–52). On the record before us, we are persuaded that Apple has provided sufficiently an articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. *See KSR Int'l v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)).

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[5] On this record, we are not persuaded by Smartflash's argument that the Declaration of Mr. Wechselberger is entitled to little or no weight because it does not disclose the underlying facts on which the opinion is based. 108 Prelim. Resp. 16–19; 109 Prelim. Resp. 20–24. Smartflash 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.

With respect to claims 1 and 31, however, we are not persuaded that Apple has shown that Stefik '980 and Stefik '235 teaches "use rules" or "use status data" for the reasons discussed above. Moreover, Apple does not argue that "use rules" or "use status data" are obvious in view of Stefik '235 and Stefik '980, as it does with other limitations in various footnotes throughout the Petition. Accordingly, we also are not persuaded that the teachings of Stefik '235 and Stefik '980 identified by Apple render obvious the recited "use rules" and "use status data."

Conclusion

On this record, we are persuaded that Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Stefik '235 and Stefik '980, but we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Stefik '235 and Stefik '980.

E. Anticipation by Ginter

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 102(b) as anticipated by Ginter. 109 Pet. 29–33, 43–78.

Analysis

Ginter discloses a portable "virtual distribution environment" ("VDE") that can "control and/or meter or otherwise monitor use of electronically stored or disseminated information." Ex. 1015, Abstract, Fig. 71, 52:26–27.

In light of the arguments and evidence, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable as anticipated by Ginter.

With respect to independent claims 1 and 31, we are not persuaded that Apple has shown sufficiently that Ginter discloses "use rules." Apple identifies in a parenthetical Ginter's "billing method map MDE and/or budget method UDE" as the recited "use rules." 109 Pet. 50–53, 75–78. The quoted portions of Ginter, however, do not show sufficiently that the billing method map MDE and/or budget method UDE reflects "a rule specifying a condition under which access to content is permitted," as we construed "use rules" to mean above. The examples given in the quoted portions of Ginter—"e.g., a price list, table, or parameters to the billing amount calculation algorithm"—relate to billing for use of a VDE content object, but not to "a rule specifying a condition under which access to content is permitted." Ex. 1015, 190:45–57. For claims 2 and 31, Apple cites Ginter's disclosure that, "[t]he BUDGET method 1510 might, for example, specify a use process 1476 that compares a meter count to a budget value and fail the operation if the meter count exceeds the budget value" (109 Pet. 77 (citing Ex. 1015, 172:32–35)), but it is not clear whether Apple is relying upon use process 1476 as satisfying "use rules." In any event, Apple does not show that use process 1476 is part of the billing method map MDE and/or budget method UDE, which it argues satisfies "use rules." Accordingly, on the record before us, we are not persuaded that Apple has provided sufficient and credible evidence that Ginter discloses "use rules."

With respect to independent claim 26, which recites a "subscriber identity module (SIM)," Apple argues that "a POSITA would have understood that . . . a personal digital assistant with access to a wide area network . . . necessarily and thus inherently includes a subscriber identity module (SIM) portion." 109 Pet. 72, n.29. Smartflash argues that Apple

does not provide a citation to any reference to support its contention. 109 Prelim. Resp. 14–15. "Inherency . . . may not be established by probabilities or possibilities." *In re Oelrich*, 666 F.2d 578, 581 (CCPA 1981) (quoting *Hansgirg v. Kemmer*, 102 F.2d 212, 214 (CCPA 1939)). A SIM card is designed for use with a mobile device that complies with the Global System for Mobile Communications standard. *See, e.g.*, *Microsoft Computer Dictionary*, 2d. Ed. (2002) ("**SIM card *n.*** Short for **S**ubscriber **I**dentity **M**odule **card**. A smart card is designed for 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)." (emphasis original)). Apple 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, such as Code Division Multiple Access (CDMA), it does not require a SIM card. Accordingly, on this record, we are not persuaded that a SIM card is inherent in Ginter.

Conclusion

On this record, we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable as anticipated by Ginter.

F. Obviousness over Ginter

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter. 109 Pet. 29–33, 43–78.

Analysis

In light of the arguments and evidence, Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Ginter, but has not established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Ginter.

With respect to the "subscriber identity module (SIM)" recited in claim 26, Apple argues that "a POSITA 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." 109 Pet. 72, n.29; *see also id.* at 4, n.2 (citing Ex. 1001, 4:9–13; Ex. 1011, 108). Smartflash does not dispute Apple's contention that use of a SIM would have been obvious. On this record, we are persuaded that a SIM would have been obvious in view of Ginter.

With respect to independent claims 1 and 31, however, we are not persuaded that Apple has shown sufficiently that Ginter teaches "use rules" for the reasons discussed above. We also are not persuaded that Ginter's budget method UDE renders obvious the claimed "use rules." *See* 109 Pet. 76 n.33. Apple discusses Ginter "using a budget method UDE specific to a particular VDE content object to limit access to that VDE content object," and concludes that one skilled in the art "would have considered it at minimum obvious to use a budget method UDE pertaining to a particular content item (*e.g.*, VDE content object) to limit user access to that particular content item (*e.g.*, VDE content object)." *Id.* Apple, however, does not explain why limiting access to a VDE content object based on Ginter's budget method UDE teaches "a rule specifying a condition under which

access to content is permitted." Apple does not provide any further rationale as to why claims 1 and 31 would have been obvious over Ginter, and the cited portion of the Wechselberger Declaration simply reiterates Apple's contentions and conclusory reasoning. *See* 109 Pet. 76, n.33; Ex. 1121, App'x D 113-115.

Conclusion

On this record, we are persuaded that Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Ginter, but we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Ginter.

G. Obviousness over Ginter, Stefik '235, and Stefik '980

Apple argues that claims 1, 2, 7, 13, 15, and 26 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter, Stefik '235, and Stefik '980. 109 Pet. 36–40, 43–78. Claims 2, 7, 13, and 15 depend from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over Ginter. Moreover, in the 109 Petition, Apple does not allege that Stefik '235 and Stefik '980 teach the "use rules" limitation, and therefore does not show sufficiently that Stefik '235 and Stefik '980 cure the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, and 15 are unpatentable as obvious over Ginter, Stefik '235, and Stefik '980. Claim 26, which does not recite "use rules," is addressed in "Other Grounds," below.

H. Obviousness over Ginter and Sato

Apple argues that claims 1, 2, 7, 13, 15, and 26 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter and Sato. 109 Pet. 41–78. Claims 2, 7, 13, and 15 depend from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that independent claim 1 is unpatentable as obvious over Ginter. In the 109 Petition, Apple does not allege that Sato teaches "use rules," and therefore does not show sufficiently that Sato cures the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, and 15 are unpatentable as obvious over Ginter and Sato. Claim 26, which does not recite "use rules," is addressed in "Other Grounds," below.

I. Obviousness over Ginter and Poggio

Apple argues that claim 7 is unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter and Poggio. 109 Pet. 33–36, 60–64. Claim 7 depends from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over Ginter. Moreover, in the 109 Petition, Apple does not allege that Poggio teaches "use rules," and therefore does not show sufficiently that Poggio cures the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claim 7 is unpatentable as obvious over Ginter and Poggio.

J. Obviousness over Stefik '235, Stefik '980, and Poggo; and Ginter, Poggio, Stefik '235, and Stefik '980

Apple argues that claim 7 is unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235, Stefik '980, and Poggio, as well as over Ginter,

Poggio, Stefik '235 and Stefik '980. 108 Pet. 34-37, 55-59; 109 Pet. 33–36, 60–64. Claim 7 depends from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over either the combination of Stefik '235 and Stefik '980 or Ginter. Moreover, in the 108 Petition, Apple does not allege that "Poggio" teaches "use rules," and in the 109 Petition, Apple does not allege that Poggio, Stefik '235, or Stefik '980 teach "use rules." Apple therefore does not show sufficiently that Poggio cures the deficiency in the 108 Petition that we noted above, or that Poggio, Stefik '235, or Stefik '980 cure the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claim 7 is unpatentable as obvious over Stefik '235, Stefik '980, and Poggio or over Ginter, Poggio, Stefik '235, and Stefik '980.

K. Other Grounds

Apple also asserts the following grounds of unpatentability:

Reference[s]	Basis	Claims challenged
Stefik and Sato	§ 103	26
Stefik and Rydbeck	§ 103	26
Ginter, Stefik '235, and Stefik '980	§ 103	26
Ginter and Sato	§ 103	26

108 Pet. 41–76; 109 Pet. 43–78. We decline to institute on these asserted grounds as redundant in light of our determination that it is more likely than not that the challenged claims are unpatentable based on the grounds of unpatentability on which we institute a covered business method patent review. *See* 37 C.F.R. § 42.208(a).

CONSOLIDATION

To administer the proceedings more efficiently, we exercise our authority under 35 U.S.C. § 325(d) to consolidate the two proceedings and conduct the proceedings as one trial for the reasons discussed below. We terminate CBM2014-00109; all further filings shall be made in the consolidated proceeding in CBM2014-00108.

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 claim 26 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 on the following grounds:

1. Claim 26 under 35 U.S.C. § 103(a) as obvious over Stefik '235 and Stefik '980;

2. Claim 26 under 35 U.S.C. § 103(a) as obvious over Ginter;

FURTHER ORDERED that all other grounds raised in the CBM2014-00108 and CBM2014-00109 Petitions are *denied* for the reasons discussed above;

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 CBM2014-00108 and CBM2014-00109 are hereby instituted and

consolidated;

FURTHER ORDERED that all further filings in the consolidated

proceedings shall be made in CBM2014-00108, and CBM2014-00109 is

herein terminated under 37 C.F.R. § 42.72;

FURTHER ORDERED that the case caption for CBM2014-00108

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 CBM2014-00108 and CBM2014-00109.

CBM2014-00108 and CBM2014-00109
Patent 8,061,598

PETITIONER:

J. Steven Baughman
Ching-Lee Fukuda
ROPES & GRAY LLP
steven.baughman@ropesgray.com
ching-lee.fukuda@ropesgray.com

PATENT OWNER:

Michael R. Casey
J. Scott Davidson
DAVIDSON BERQUIST JACKSON & GOWDEY LLP
mcasey@dbjg.com
jsd@dbjg.com

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.

_____

Case CBM2014-00108[1]
Patent 8,061,598

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[1] Case CBM2014-00109 has been consolidated with the instant proceeding.