

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00112¹
Patent 7,942,317 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 Case CBM2014-00113 has been consolidated with the instant proceeding.

I. INTRODUCTION

A. *Background*

Petitioner, Apple Inc. (“Apple”), filed two Petitions to institute covered business method patent review of claims 1, 6–8, 12–14, 16, and 18 (“the challenged claims”) of U.S. Patent No. 7,942,317 B2 (Ex. 1001, “the ’317 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). CBM2014-00112 (Paper 2, “112 Pet.”) and CBM2014-00113 (Paper 2, “113 Pet.”).² On September 30, 2014, we consolidated CBM2014-00112 and CBM2014-00113 and instituted a transitional covered business method patent review (Paper 7, “Decision to Institute” or “Dec.”) based upon Petitioner’s assertion that claims 1, 6–8, 12, 13, 16, and 18 are unpatentable based on the following grounds:

Reference[s] ³	Basis	Claims Challenged
Stefik ’235 ⁴ and Stefik ’980 ⁵	§ 103(a)	1, 6–8, 12, 13, 16, and 18
Ginter ⁶	§ 103(a)	1, 6–8, 12, 13, 16, and 18

Dec. 22. Petitioner provides declarations from Anthony J. Wechselberger (“Wechselberger Decl.”) in support of its petitions. 112 Ex. 1021; 113 Ex. 1121.

² Unless otherwise specified, hereinafter, paper numbers refer to paper numbers in CBM2014-00112.

³ Exhibits with numbers 1001–1029 were filed in CBM2014-00112 and those with numbers 1101–1129 were filed in CBM2014-00113. For purposes of this decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00112.

⁴ U.S. Patent No. 5,530,235 (June 25, 1996) (Ex. 1013, “Stefik ’235”).

⁵ U.S. Patent No. 5,629,980 (May 13, 1997) (Ex. 1014, “Stefik ’980”).

⁶ U.S. Patent No. 5,915,019 (June 22, 1999) (Ex. 1015, “Ginter”).

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 22, “PO Resp.”) and, in support, a declaration from Jonathan Katz, Ph.D. (Ex. 2031, “Katz Declaration”). Petitioner filed a Reply (Paper 30, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on July 7, 2015, and a transcript of the hearing is included in the record (Paper 47, “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, 6–8, 12, 13, 16, and 18 of the ’317 patent are unpatentable.

B. The ’317 Patent

The ’317 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, 1:18–23. 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 1:38–51. The ’317 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:55–2:3. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:3–11.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:55–63. 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 1:64–67.

The '317 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. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '317 patent and identify the following district court case: *Smartflash LC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.,* 112 Pet. 15–16; 112 Papers 4, 5. Patent Owner indicates that other patents in the same patent family are the subject of several other district court cases. Paper 32, 2–3.

In addition to the 112 and 113 Petitions, Apple, as well as other Petitioners, has filed numerous other Petitions for covered business method patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter.

D. The Instituted Claims

We instituted review of claims 1, 6–8, 12, 13, 16, and 18 of the '317 patent. Dec. 22. Claims 1, 8, 12, 16, and 18 are independent. Claims 6 and 7 depend from claim 1 and claim 13 depends from claim 12. Claims 1 and 8 are illustrative of the claims at issue and recite the following:

1. A computer system for providing data to a data requester, the system comprising:

a communication interface;

a data access data store for storing records of data items available from the system, each record comprising a data item description and a pointer to a data provider for the data item;

a program store storing code implementable by a processor;

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

code to receive a request for a data item from the requester;

code to receive from the communications interface payment data comprising data relating to payment for the requested data item;

code responsive to the request and to the received payment data, to read data for the requested data item from a content provider; and

code to transmit the read data to the requester over the communications interface.

Ex. 1001, 25:55–26:8.

8. A method of providing data to a data requester comprising:

receiving a request for a data item from the requester;

receiving payment data from the requester relating to payment for the requested data;

reading the requested data from a content provider responsive to the received payment data; and

transmitting the read data to the requester.

Id. at 26:36–43.

II. EVIDENTIARY MATTERS

A. *Wechselberger Declarations*

In its Response, Patent Owner urges that the 112 and 113 Wechselberger declarations should be given little or no weight. PO Resp. 4–8; *see* Tr. 72:23–73:17. In its Preliminary Response, Patent Owner argued that we should disregard the declarations, but we determined that Patent Owner did not offer any evidence that Mr. Wechselberger “used incorrect criteria, failed to consider evidence, or is

not an expert in the appropriate field.” Dec. 4 n.9. Patent Owner renews its contention arguing that because Mr. Wechselberger’s declarations do not state the evidentiary weight standard that he used in arriving at his conclusions, he “‘used incorrect criteria.’” PO Resp. 5. Referring to excerpts from Mr. Wechselberger’s deposition, Patent Owner contends that he “‘could neither articulate what the difference was between ‘substantial evidence’ and ‘preponderance of the evidence,’ nor could he articulate which standard he was supposed to use when alleging invalidity of claims in a patent.” *Id.* at 5–7. Thus, concludes Patent Owner, we can only afford little or no weight to his testimony, otherwise we would be accepting his opinion without knowing “‘the underlying facts . . . on which the opinion is based’ (i.e., how much evidence he thinks show any of his opinions discussed therein).” *Id.* at 7.

In its Reply, Petitioner argues that “Mr. Wechselberger is a highly-qualified expert,” that Patent Owner offers no evidence disputing that he is a qualified expert, and that an expert is not required to recite or apply the “preponderance of standard’ expressly in order for the expert opinion to be accorded weight.” Pet. Reply 20–21 (citation omitted).

Patent Owner has not articulated a persuasive reason for giving Mr. Wechselberger’s declarations, as a whole, little or no weight in our analysis. 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. Thus, we decline to make a determination about Mr. Wechselberger's opinion, as a whole. Rather, in our analysis, we will consider, as it arises, relevant opinion from Mr. Wechselberger and give it due weight, if appropriate.

B. Katz Declaration

Petitioner contends that "Dr. Katz's unsupported opinions, to the extent that they are given any weight at all, should be given far less weight than Mr. Wechselberger's." Pet. Reply 16–20. Specifically, Petitioner argues that Dr. Katz is not qualified as a person of ordinary skill in the art under either party's definition, he repeatedly stated that "he was 'not sure' about various technologies that are indisputably in the relevant prior art, and that he does not know what a POSITA would have understood about that technology," and he repeatedly stated that "he was 'not sure' how a POSITA would interpret several passages of the cited prior art and several passages of the challenged patent[]." Pet. Reply 2–3, 16–20; Tr. 50:8–57:19. Thus, concludes Petitioner, "Dr. Katz (a) does not know this information and is therefore not a qualified expert and/or (b) did not properly consider the scope and content of the prior art or a POSITA's understanding of the prior art." *Id.* at 20.

We decline to make a determination as to Dr. Katz's testimony as a whole. As noted above, we have the 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. Thus, in our analysis, we will consider, as it arises, relevant opinion from Dr. Katz and give it due weight, if appropriate.

III. ANALYSIS

A. Claim Construction

We construe all terms, whether or not expressly discussed here, using the broadest reasonable construction in light of the '317 patent specification. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–80 (Fed. Cir. 2015) (“Congress implicitly approved 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 '317 patent according to their ordinary and customary meaning in the context of the '317 patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). In the Decision to Institute, we construed the term “use rule data” as “data for a rule specifying a condition under which access to content is permitted.” Dec. 7. Neither party contests this construction. We discern no reason to deviate from this construction of “use rule data.” For purposes of this Final Written Decision, we additionally expressly construe “payment data.”

“*payment data*”

Petitioner asserts that “[f]or review purposes, [payment data] is construed to mean ‘data representing *payment made* for requested content data’ and is distinct from ‘access control data.’” 112 Pet. 17; 113 Pet. 22 (emphasis added). Patent Owner disagrees, arguing that the term “payment data” should be interpreted to mean “data that *can be used to make payment* for content.” PO Resp. 8 (emphasis added).

Although Petitioner and Patent Owner disagree on the proper broadest reasonable construction of the term “payment data,” both proposed constructions incorporate an element of timing. The main dispute between the parties is the

timing of “payment data.” For example, Petitioner argues that the ’317 patent’s definition of the term “encompasses data relating to either *current* or *past* payment.” Pet. Reply 4. In support, Petitioner refers (*id.* at 3–4) to the following disclosure from the ’317 patent Specification:

“[t]he payment data received may either be data relating to an *actual payment made* to the data supplier, or it may be a *record of a payment made* to an e-payment system”

Ex. 1001, 6:57–61 (emphasis added).

Patent Owner, on the other hand, argues that the ’317 patent discloses that “payment data” exists *prior to* the payment operation, i.e., “used for making a payment.” PO Resp. 8–9. In support of its argument that “‘payment data’ is used for making a payment,” Patent Owner refers to the following disclosure from the Specification⁷: “[P]ayment data for making a payment . . . is received from the smart Flash card by the content access terminal and forwarded to an e-payment system.” *Id.* (citing Ex. 1001, 20:59–62).

We are persuaded that the broadest reasonable interpretation of the term “payment data,” encompasses both Petitioner’s *and* Patent Owner’s definitions of the term. As used in the ’317 patent, “payment data” encompasses data relating to *future, current, and past* payments. In other words, we are persuaded that the ’317 patent does *not* incorporate an element of timing into the definition of payment data. First, the plain and ordinary meaning of the two words that make up the term—“payment” and “data”—do not incorporate any notion of time and nothing about their combination changes that determination.

⁷ We note that Patent Owner mistakenly refers to the disclosure from the “’221 patent” in at least one instance. PO Resp. 9. We, however, interpret this as a reference to the ’317 patent.

Second, the '317 patent specification supports “payment data” representing data existing *prior to, concurrent with, and after* payment of the requested content. For example, the '317 patent states that “payment data for making a payment to the system owner is received from the smart Flash card by the content access terminal and forwarded to an e-payment system.” Ex. 1001, 20:59–62. We agree with Patent Owner that this language indicates that payment data exists *prior to* the payment being made for the requested content. *See* PO Resp. 8–9. Petitioner does not address this language. *See* Pet. Reply 3–4. In addition, we agree with Petitioner that the language in the '317 patent, “payment data received may either be data relating to an actual payment made to the data supplier, or it may be a record of a payment made to an e-payment system,” (Ex. 1001, 6:57–60) clearly shows that “payment data,” includes data for payments that have *already been made*. *See* Pet. Reply 3–4.

Moreover, the plain and ordinary meaning of data does not allow for it to change character based on when it is used in a transaction. For example, a credit card number is “data relating to payment” before the number is processed, while the number is being processed, and after the number is processed. *See, e.g.*, Ex. 1015, 232:14–24 (providing credit or debit card information to a retail terminal). Thus, without an express description to the contrary, we presume that “payment data” retains the same meaning *before, during, and after* the payment operation. Neither party points to any such contrary description.

Indeed, the '317 patent describes “payment data” in several instances as data relating to payment for the requested data item. Ex. 1001, 10:5–6, 10:27–28, 10:38–39. Thus, we are persuaded that the broadest reasonable interpretation of “payment data” as used in the '317 patent is “data relating to payment for the requested data item.”

B. Obviousness over Stefik '235 and Stefik '980

Petitioner asserts that claims 1, 6–8, 12–14, 16, and 18 would have been obvious over the Stefik references alone. 112 Pet. 25–77. After considering the arguments and evidence presented in the Petition and the Preliminary Response (112, Paper 6), we instituted trial with respect to claims 1, 6–8, 12, 13, 16, and 18 concluding that Petitioner was likely to prevail in showing unpatentability under 35 U.S.C. § 103(a) over the combination of Stefik '235 and Stefik '980. Dec. 22. After considering the arguments and evidence presented during the trial, our determination remains unchanged.

1. Overview of Stefik '235 (Ex. 1013)

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.

2. Overview of Stefik '980 (Ex. 1014)

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.

3. *Analysis*

The parties focus on only certain claim limitations. For the remaining limitations, we have reviewed Petitioner’s evidence and argument and agree that Petitioner has shown sufficiently that Stefik⁸ teaches these limitations. *See* 112 Pet. 28–77. We turn now to the disputed limitations.

“*payment data*”

Claims 8, 12, and 18

Patent Owner contends that claims 8, 12, and 18 would not have been obvious over Stefik. PO Resp. 14–15. Claim 8 recites “receiving *payment data* from the requester relating to payment for the requested data.” Claim 12 recites “a data access system comprising: a data supply computer system for forwarding data from a data provider to a data access terminal; . . . wherein data is forwarded from the data provider to the data carrier on validation of *payment data* provided from the data carrier to the electronic payment system.” Claim 18 recites “receiving *payment data* from the requester relating to payment for the requested data” and “outputting *payment data* to a payment system for distributing the payment for the requested data.” (emphasis added).

Petitioner contends that Stefik teaches the claimed “payment data” because Stefik describes “reporting transaction information and fees to a credit server or billing clearinghouse.” 112 Pet. 71–72, 75. For example, Stefik describes “generat[ing] billing information for the access which is transmitted to a credit

⁸ Petitioner refers to Stefik ’235 and Stefik ’980 collectively as “Stefik,” contending that Stefik ’235 incorporates Stefik ’980 by reference, and providing rationale for combining the teachings from the two references. 112 Pet. 20–21 n.12; PO Resp. 10–15 (Patent Owner not disputing Petitioner’s contention regarding “Stefik” being a single reference, or Petitioner’s rationale for combining the teachings of Stefik ’235 and Stefik ’980). We follow Petitioner’s nomenclature.

server” (Ex. 1014, 7:33–36) and explains that “[f]or the most part, billing transactions are well understood in the state of the art” (*id.* at 29:58–64). 112 Pet. 71–72; Pet. Reply 8. Stefik further describes that “[t]he user on the DocuCard now uses the user interface to assign payment of any fees associated with the transaction to be executed” (Ex. 1013, 6:66–7:1) and “[t]his logging in process may also activate credit accounts” (*id.* at 6:60–65). 112 Pet. 24, 42–43; Pet. Reply 8. We are persuaded by Petitioner’s position that Stefik teaches “payment data,” which we construe as “data relating to payment for the requested data item.”

Patent Owner contends that “payment data” is not rendered obvious by Stefik. PO Resp. 14–15. In support, however, Patent Owner refers to Petitioner’s contentions regarding the limitation reciting “an electronic payment system for confirming an electronic payment,” not Petitioner’s contentions regarding “payment data.” *Id.* at 14 (citing 112⁹ Pet. 55–56). Moreover, Patent Owner summarily states that Stefik “is still discussing post-usage processing,” and concludes that because Petitioner has adopted an incorrect interpretation of “payment data,” the 112 Petition has not shown that “payment data” is rendered obvious by Stefik. PO Resp. 15. At the hearing, Patent Owner conceded that if we do not adopt its construction of “payment data” and instead adopt Petitioner’s construction, it has no remaining argument as to why Stefik does not teach “payment data.” Tr. 77:10–78:14. We adopt an even broader construction of “payment data” than that proposed by Petitioner. Our construction of “payment data” does not including a timing component, and Patent Owner’s argument is based on the timing of payment data. PO Resp. 14–15. Thus, Patent Owner has not persuaded us that Stefik does not teach “payment data.”

⁹ We also note that Patent Owner erroneously refers to the 113 Petition, which discusses Ginter. PO Resp. 14.

“pointer to a data provider for the data item” and “resource locator identifying a data provider”

Claims 1, 6, 7, and 16

Patent Owner contends that claims 1, 6, 7, and 16 would not have been obvious over Stefik. PO Resp. 10–13. Independent claim 1, and thus claims 6 and 7, based on their dependency from claim 1, recite “a data access data store for storing records of data items available from the system, each record comprising a data item description and a *pointer to a data provider* for the data item.” Similarly, independent claim 16 recites “a data access data store for storing records of data items available from the system, each record comprising a data item description and a *resource locator identifying a data provider* for the data item.”

Stefik discloses that the file information for a “document,” i.e., data, is comprised of a “‘contents file’ and a ‘description file.’” Ex. 1013, 7:35–36; *see* Ex. 1014, 9:21–23. The “contents file” contains the documents, which are stored on a “DocuCard.” Ex. 1013, 6:10, 7:19–20; *see* Ex. 1014, 14:37–38. “The ‘contents’ file is a stream of addressable bytes.” Ex. 1013, 6:36–38; *see* Ex. 1014, 9:23–26. For example, a document is stored starting at a relative address of 0. Ex. 1013, 7:42–55, Fig. 4; Ex. 1014, 9:34–46, Fig. 5.

Stefik states that the descriptor file contains “a pointer to the document in the content part.” Ex. 1013, 7:35–58, Fig. 4; *see* Ex. 1014, 9:21–49, Fig. 5. Specifically, as Petitioner argues (Pet. Reply 5–7), Stefik teaches that the description tree [i.e., description file] is comprised of “descriptor blocks (d-blocks),” wherein “d-block 500 includes an identifier 501” and “a starting address 502 providing the start address of the first byte of the work [i.e., data].” Ex. 1013, 6:2–17, 7:60–67, Fig. 5a; *see* Ex. 1014, 9:26–27, 9:52–58, Fig. 7; Tr. 37:17–38:2, 39:14–40:8. Identifier 501 is comprised of a “unique number assigned to the

DocuCard [i.e., where data is stored] upon manufacture.” Ex. 1013, 8:4–8; *see* Ex. 1014, 9:62–65. Stefik further explains that the description file may be stored independently from the contents file. Ex. 1013, 6:2–17, 7:21–41; *see* Ex. 1014, 14:28–36, Fig. 12.

With respect to the claimed “pointer” in claim 1 and claimed “resource locator” in claim 16, Petitioner refers to Stefik’s “d-blocks” in the descriptor file. 112 Pet. 33, 69 (claim chart for claim 16 referring to claim 1). According to Petitioner, Stefik’s “pointers” (i.e., descriptor blocks) identify the device (i.e., the data provider) where content is stored, which can be stored separately from the descriptor file, and the “start address of the first byte of work.” *See* Pet. Reply 5–7 (citation omitted); Tr. 29:12–30:17, 31:6–21 (Petitioner contends that the pointer points to the location of the first bits that make up the data item).

We determine that Petitioner has shown by a preponderance of the evidence that Stefik teaches the claimed “pointer to a data provider” and “resource locator identifying a data provider,” as required by claims 1 and 16, respectively. Based on the disclosures in Stefik, we are persuaded by Petitioner’s contention that a skilled artisan would understand Stefik’s descriptor blocks as pointing to the DocuCard (i.e., the data provider or resource locator) where content is stored and the start address, i.e., location, of the first byte of the data time. *See* Pet. Reply 5–7. As such, Stefik’s descriptor blocks, like the pointers described in the ’317 patent, identify a location(s) where a data item can be downloaded. *See* Ex. 1001, 14:61–65 (data store stores records comprising location data comprising one or more pointers to a location(s) where the data item can be downloaded).

Patent Owner contends that the various citations referred to by Petitioner do not satisfy either “pointer” or “resource locator.” Tr. 118:20–119. Patent Owner acknowledges that Stefik’s descriptor file contains “a pointer to the document in

the content part,” but asserts that “this is a pointer to the content part itself, not the claimed ‘data provider for the data item’” or “a resource locator identifying a data provider for the data item.” PO Resp. 12–13 (citing Ex. 1013, 7:35–42). Patent Owner’s argument is conclusory and not persuasive. Tr. 114:3–118:14; PO Resp. 12–13. As we discuss above, Stefik’s descriptor blocks include an identifier comprising a unique number assigned to the DocuCard where the data is stored and a start address for the location of the first byte of the data. Ex. 1013, 6:2–17, 7:60–67, Fig. 5a; *see* Ex. 1014, 9:26–27, 9:52–58, Fig. 7; *see* Tr. 37:17–38:2, 39:14–40:8. Furthermore, Patent Owner’s contention that Stefik’s descriptor blocks “are pointers to other d-blocks in the description file” (PO Resp. 13) is not consistent with Stefik’s disclosure. *See* Ex. 1013, 7:60–67; Ex. 1014, 9:52–58.

Accordingly, we are persuaded that Stefik’s descriptor block teaches the claimed “pointer” and “resource locator” of claims 1 and 16, respectively. For the same reasons, we determine that Stefik teaches the claimed “pointer” of dependent claims 6 and 7.

C. Obviousness over Ginter

Petitioner contends that claims 1, 6–8, 12–14, 16, and 18 would have been obvious over Ginter. 113 Pet. 22, 40–78. After considering the arguments and evidence presented in the Petition and the Preliminary Response (113, Paper 6), we instituted trial with respect to claims 1, 6–8, 12, 13, 16, and 18 concluding that Petitioner was likely to prevail in showing unpatentability under 35 U.S.C. § 103(a) over Ginter. Dec. 19, 22. After considering the arguments and evidence presented during the trial, our determination remains unchanged.

1. *Overview of Ginter (Ex. 1015)*

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

2. *Analysis*

The parties focus on only one claim limitation. For the remaining limitations, we have reviewed Petitioner’s evidence and argument and agree that Petitioner has shown sufficiently that Ginter teaches these limitations. *See* 113 Pet. 40–78. We turn now to the disputed limitation.

“payment data”

Patent Owner contends that claims 1, 6–8, 12, 13, 16, and 18 would not have been obvious over Ginter. PO Resp. 16–20. Each of these claims recites “payment data,” either explicitly or implicitly based on the dependency of the claim. For example, claim 1 recites “code to receive from the communications interface payment data comprising data relating to payment for the requested data item” and “code responsive to the request [for a data item] and to the received payment data, to read data for the requested data item from a content provider.” As noted above, we construe “payment data” as “data relating to payment for the requested data item.”

In its Petition, Petitioner refers to Ginter’s disclosure of “audit information” and “real-time debits from bank accounts” as teaching the claimed “payment data.” *See e.g.*, 113 Pet. 44–45 n.16 (citing Ex. 1015, 63:34–41), 54, 73. Petitioner further contends that to the extent Ginter’s audit information does not relate to payment for a currently-requested content object, Ginter renders this obvious. 113 Pet. 45 n.16. In support, Petitioner refers to Ginter’s disclosure of paying for content with “real-time debits from bank accounts” and argues that a skilled artisan

would have found it “obvious to apply Ginter’s teaching of using audit information as payment data to a real-time transaction in order to reflect payment for a currently-requested [content].” Pet. 45 n.16 (citing Ex. 1015, 63:34–41); Tr. 16:24–17:4.

In its Response, Patent Owner argues that “audit information is for tracking post-usage information, not current purchase information.” PO Resp. 19. In support, Patent Owner refers to Ginter’s disclosure that “the clearinghouse may analyze the contained audit information to determine whether it indicates misuse of the applicable [content],” which Patent Owner argues indicates that the tracked usage has already occurred. *Id.* (citing Ex. 1015, cols. 161 and 162). Patent Owner also contends that changing “from post-usage tracking to pre-purchase processing would change the principle upon which Ginter works, which indicates nonobviousness.” *Id.* (citation omitted); Tr. 82:18–23, 84:1–5, 85:23–87:3.

Patent Owner’s responsive arguments do not dispute that the audit information is “data representing payment for . . . requested content data,” which is the basis for Petitioner’s contentions. *See e.g.*, 113 Pet. 44–45 n.16 (citing Ex. 1015, 63:34–41), 54, 73. Patent Owner’s arguments are focused solely on the timing of the audit information (i.e., the timing of usage in relation to when payment is made) in Ginter. *See* PO Resp. 18–20 (“in the context of Ginter, the audit information is for tracking post-usage information, not current purchase information”).

Moreover, in its Reply, Petitioner refers to Ginter’s disclosure of “prepayments, credits, [and] real-time debits” and argues that Ginter expressly teaches that “*payment is made before content access or usage is allowed.*” Pet. Reply 13 (citing Ex. 1015, 63:34–41); *see also* Pet. Reply 14–15 (citing Ex. 1015, Fig. 44A, 44B, 179:27–36, 179:57–60, 270:19–22, 270:33–36, 281:37–39).

We determine that Petitioner has shown by a preponderance of the evidence that Ginter teaches the claimed “payment data.” As Petitioner argues (Pet. Reply 13), Ginter, for example, teaches processes that include “governing usage of, auditing of, and where appropriate, *payment for [content] (through the use of prepayments, credits, real-time electronic debits from bank accounts and/or [other deposit accounts]).*” Ex.1015, 63:34–41 (emphasis added). At the hearing, Petitioner argued that these disclosures teach “payment before the transaction occurs.” Tr. 16:6–16. Patent Owner argues that Ginter’s “prepayments” and “real-time electronic debits” are not for a particular object “as it is being requested,” but rather is payment “for content at some future time when [content] has actually been selected and the budget has been used and the metering has occurred.” Tr. 79:13–80:19, 81:19–21 (“it is not an indication, even if it says real-time, that it is real-time for use of the [content] that is being requested.”); PO Resp. 19 (arguing that that to the extent Ginter discloses real-time debits from bank accounts, it teaches “paying for *previous* usage of [content]”) (citation omitted). Patent Owner’s arguments are unavailing.

Foremost, Ginter’s teaching does not restrict the timing of the “prepayments” and “real-time electronic debits” in relation to the request for and/or usage of the content, and Patent Owner has not persuaded us otherwise. *See* Ex. 1031, 94:4–13; Ex. 1031, 119:18–21, 121:2–6 (Dr. Katz’s deposition testimony is unpersuasive); Pet. Reply 19–20. In any event, “payment data” does not require any specific timing, either in relation to the payment operation or the access to data. As noted above, we construe “payment data” as “data relating to payment for a requested data item.” Thus, even assuming Ginter teaches making prepayments and real-time electronic debits before a request for or usage of content is made, prepayments and real-time electronic debits remain data relating

to payment. Although the claimed “payment data” is “data relating to payment for the requested data item,” the data relating to payment does not change character in relation to when a request for a data item is made. In other words, even assuming the disclosure relied upon by Petitioner teaches a prepaid system, as urged by Patent Owner, wherein a user makes a prepayment before a request for a data is made, the data is still “payment data” when the request for the data item is subsequently made.

In addition, we are persuaded by Petitioner’s argument that it would have been obvious to apply Ginter’s teaching of using audit information as payment data to a real-time transaction in order to reflect payment for currently-requested content. *See* Pet. 45 n.16 (citing Ex. 1015, 63:34–41). Assuming the challenged claims require “payment data” to be received before access to content is allowed, we are persuaded that it would have been obvious to a skilled artisan to have applied Ginter’s teaching of using audit information as payment data before access to content is allowed. *See* Ex. 1001, 26:1–8 (claim 1 requires “code *responsive to the request [for content] and to the received payment data*, to read data for the requested data item ... and *to transmit the read data* to the requester”) (emphasis added). As Petitioner argues, Ginter teaches that audit information includes “an electronic funds transfer against the user’s bank account or some other bank account” (Ex. 1015, 179:57–60) and “collecting payments, etc.” (*id.* at 281:33–39).¹⁰ Pet. Reply 14–15. Furthermore, as we discuss above, Ginter’s teaching does not restrict the timing of the “prepayments” and “real-time electronic debits” in

¹⁰ We are not persuaded that Petitioner introduced new argument, as asserted by Patent Owner. *See* Tr. 91:2–94:24. In response to Patent Owner’s argument that Ginter’s “audit information” is post-usage information (*id.* at 91:20–22; PO Resp. 18–19), Petitioner explicated upon its argument by referring to specific audit information (Pet. Reply 14–15).

relation to the request for and/or usage of the content. Thus, based on this disclosure, we are persuaded that it would have been obvious to a skilled artisan to have modified Ginter's audit information to be "payment data" at any time in relation to the request for and/or usage of the content.

Patent Owner argues that a skilled artisan would not have made the modification proposed by Petitioner because at the heart of the Ginter system is "a post-usage metering system" wherein payment is made for post-usage of the content and not a prepayment before content is downloaded. Tr. 82:19–21, 85:23–86:16, 87:1–3. Indeed, Patent Owner argues that all of the embodiments disclosed in Ginter are "post-usage systems" and "the principle of Ginter would be altered in order to be able to try to achieve the goal of utilizing realtime transactions as a prepayment as opposed to a post payment." *Id.* at 85:23–86:16. Patent Owner's argument is unavailing because Patent Owner has not sufficiently persuaded us that all the embodiments in Ginter are related to "post-usage systems." As discussed above, Ginter's disclosure does not restrict the timing of "prepayments" and "real-time electronic debits," which Patent Owner acknowledges is "used to make payments later in the future." *Id.* at 80:16–18.

Accordingly, we conclude that Petitioner has shown by a preponderance of the evidence that claims 1, 6–8, 12, 13, 16, and 18 of the '317 patent would have been obvious over Ginter.

IV. MOTIONS TO EXCLUDE

A. Petitioner's Motion to Exclude

Petitioner filed a Motion to Exclude (Paper 35), Patent Owner filed an Opposition to Petitioner's motion (Paper 41), and Petitioner filed a Reply in support of its motion (Paper 46). Petitioner's Motion to Exclude seeks to exclude: (1) the testimony of Dr. Katz (Ex. 2031); and (2) the portions of the Patent

Owner's Response (Paper 22) that refer to, or rely on, that testimony. Paper 35, 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 argues that Dr. Katz's testimony should be excluded under Federal Rule of Evidence ("FRE") 702 because he was unable to opine on what a person of ordinary skill in the art would have understood as of the priority date of the '317 patent. Paper 37, 4–5. Specifically, Petitioner refers to Dr. Katz's deposition testimony that he was "not sure" as to (1) what a person of ordinary skill in the art would have known; (2) the operation of the embodiments described in the '317 patent; and (3) how a person of ordinary skill in the art would have interpreted various passages from the cited prior art. *Id.* at 5–9.

Patent Owner counters that Dr. Katz was not sure how to answer the questions in deposition because "Petitioner never established whose definition of a POSITA Dr. Katz was to use." Paper 41, 4.

Petitioner replies that Dr. Katz confirmed at the outset of his deposition that he understood the meaning of counsel's reference to "what a person of ordinary skill in the art would have understood," and that Patent Owner's counsel objected to almost none of the questions that it now claims are unclear. Paper 46, 2–4 (citation omitted).

We have reviewed the deposition testimony of Dr. Katz and determine that excluding the testimony, in its entirety, is not warranted. We assess Petitioner's arguments with respect to the weight to be given to relevant portions of Dr. Katz's testimony, rather than to its admissibility. 37 C.F.R. § 42.65.

B. Patent Owner's Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 38), Petitioner filed an Opposition to Patent Owner's motion (Paper 42), and Patent Owner filed a Reply in support of its motion (Paper 45). Patent Owner's Motion to Exclude seeks to exclude (1) Exhibit 1002; (2) Exhibits 1004, 1005, 1008, 1009, 1019, 1027–1029; (3) Exhibits 1006, 1007, 1009, 1012, 1017, and 1020; (4) Exhibits 1016 and 1018; (5) Exhibits 1021 and 1121; (6) portions of Exhibit 1031; and (7) Exhibits 1101–1120 and 1122–1129. Paper 38, 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, denied-in-part* and *dismissed--in-part* as moot.

Exhibit 1002

Patent Owner seeks to exclude Exhibit 1002—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 38, 2–3; Paper 45, 1–2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner's characterization of the '317 patent in the complaint because the '317 patent itself is in evidence. Paper 38, 2. Moreover, according to Patent Owner, its characterization of the '317 patent is irrelevant and, even if relevant, cumulative to the '317 patent itself. *Id.* at 3.

Petitioner counters that it relies on Exhibit 1002 not as evidence of the content of the '317 patent, but to show that Patent Owner's characterization of the '317 patent supports Petitioner's contention that the '317 patent is a covered business method patent. Paper 42, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '317 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Patent Owner's characterization of the

'317 patent in another proceeding is not in the '317 patent itself, and, therefore, Exhibit 1002 is not cumulative to the '317 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1002 is offered not for the truth of the matter asserted (i.e., the content of the '317 patent), but as evidence of how the Patent Owner has characterized the '317 patent. Patent Owner has not persuaded us that Exhibit 1002 is irrelevant, at least because its characterization of the '317 patent in prior proceedings are relevant to the credibility of its characterization of the '317 patent in this proceeding. Accordingly, we decline to exclude this exhibit.

Exhibits 1004, 1005, 1009, 1019, and 1027–1029

Patent Owner seeks to exclude Exhibits 1004, 1005, 1009, 1019, and 1027–1029 as irrelevant under FRE 401 and 402 because they are not cited in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 38, 3–4; Paper 45, 2.

Petitioner counters that all of these exhibits, except Exhibit Ex. 1009 (Paper 42, 3 n.4), were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 42, 3. Petitioner also points out that Patent Owner similarly filed exhibits not relied upon in its substantive papers. *Id.*

Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Patent Owner has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits. We grant the motion as to Exhibit 1009.

Exhibits 1006–1008, 1012, 1016–1018, and 1020

Patent Owner seeks to exclude Exhibits 1006–1008, 1012, 1016–1018, and 1020 as irrelevant under FRE 401 and 402 because, while cited, they either were

not asserted by Petitioner as invalidating prior art or were not instituted upon by the Board. Paper 38, 4–5; Paper 45, 2–3.

Petitioner counters that all of these exhibits are evidence of the state of the art and knowledge of a person of ordinary skill in the art at the claimed priority date, and are relied upon in both the Petition and the Wechselberger Declaration as evidence of that knowledge. Paper 42, 3–5.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the state of the art and to knowledge of a person of ordinary skill in the art, which are relevant to obviousness, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

Exhibits 1021 and 1121

Patent Owner seeks to exclude Exhibits 1021 and 1121—the Declarations of Mr. Wechselberger in the 112 case and 113 case, respectively—under FRE 602 as lacking foundation because they “do[] not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions” and because they “do[] not sufficiently state the criteria used to assess whether one of ordinary skill in the art at the time of the invention would have been motivated to modify a reference or combine two references.” Paper 38, 5–9, 14–15; Paper 45, 3–4. Patent Owner also seeks to exclude this testimony under FRE 702 because it “does not prove that Mr. Wechselberger is an expert whose testimony is relevant to the issue of what is taught and/or suggested by the cited references.” Paper 38, 8, 14–15; Paper 47, 3–4.

Petitioner counters that FRE 602 is not a basis for excluding Mr. Wechselberger’s expert testimony because FRE 602 plainly states that it “does not apply to a witness’s expert testimony under Rule 703” and, therefore, Patent

Owner's objections are improper challenges to the *sufficiency* of the opinions presented rather than challenges to their *admissibility*. Paper 42, 5–6. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 7 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner offers no evidence disputing that Mr. Wechselberger is a qualified expert and notes that he qualifies as an expert under both parties' definitions of a person of ordinary skill in the art. *Id.* at 7. Petitioner also notes that Patent Owner did not object to its offer of Mr. Wechselberger as an expert in the co-pending district court litigation. *Id.*

Patent Owner 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 45, 3 n.2.

We are not persuaded by Patent Owner's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1021, ¶¶ 2–12, App'x A. 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. Moreover, FRE 602 expressly recites that it “does not apply to a witness's expert testimony under Rule 703.” The testimony sought to be excluded by Patent Owner is expert testimony under Rule 703. Accordingly, we decline to exclude this testimony under either FRE 602 or FRE 702.

Exhibit 1031

Patent Owner seeks to exclude portions of Exhibit 1031 on the grounds that the questions asked were outside the scope of Dr. Katz's declaration, and,

therefore, should be excluded for not being in compliance with 37 C.F.R. 42.53(d)(5)(ii). Paper 38, 9–13; Paper 45, 4–5.

Petitioner counters that Patent Owner cannot move to exclude this testimony because it failed to object to the questions during the deposition and therefore waived any such objection under Rule 42.64(a). Paper 42, 8 (citing *Westlake Servs., LLC v. Credit Acceptance Corp.*, CBM2014-00008, Paper 48 (“Patent Owner objected to many, but not all, . . . questions . . . , indicating its belief that at least some of the questioning was proper.”)). Petitioner further contends that the testimony is relevant to issues in this proceeding. Paper 42, 8–15.

Patent Owner replies that, unlike CBM2014-00008, it seeks to exclude only discrete portions of the deposition testimony, and that “[a] fair reading of the record demonstrates that Patent Owner’s objections were made and preserved at the deposition.” Paper 45, 4.

As an initial matter, a motion to exclude is not a proper vehicle for a party to raise the issue of cross-examination exceeding the scope of the direct testimony. Moreover, as Petitioner correctly points out, many of the questions and answers that Patent Owner now seeks to exclude were not objected to during the deposition, even giving the transcript the “fair reading” that Patent Owner suggests. “An objection to the admissibility of deposition evidence must be made during the deposition.” 37 C.F.R. § 42.64(a).

Nevertheless, we turn to the merits. Even assuming that exceeding the scope of direct testimony was a proper basis for a Motion to Exclude and that Patent Owner had objected to every question now sought to be excluded, we still would not be persuaded that exclusion of this testimony, in its entirety, is the proper remedy. Based on our review of the arguments made in the Patent Owner Response, as well as the relevant portions of the deposition transcript, we are not

persuaded that the questions asked were outside the scope of Dr. Katz's declaration. For example, Patent Owner argues that the testimony at page 36, line 10 to page 37, line 11 is "not relevant because it relates to conditional access and none of the claims at issue relate to conditional access to stored data." Paper 38, 9. However, as Petitioner points out, the challenged claims recite "'code *responsive to the request and to the received payment data*' to read data from a data provider (claim 1) or output the item data to the requester (claim 16), and the prior art disclosed minimizing unauthorized content use to ensure content owners are paid." Paper 42, 9 (citations omitted). Moreover, Dr. Katz asserts that he "would qualify as an expert in the area of data storage *and access* systems such that I am qualified to opine on what those of ordinary skill in the art would have understood at the time of the filing of the patent and what he/she would or would not have been motivated to do." Ex. 2031 ¶ 10 (emphasis added). As a result, we are not persuaded that questions about what a person of ordinary skill in the art would know about conditional access are outside the scope of Dr. Katz's direct testimony.

Patent Owner emphasizes that Petitioner "does not rebut that this testimony is irrelevant given that it relates to claims (conditional access to stored data) and terms ('payment validation' not 'payment validation data') outside the scope of the proceeding as instituted." Paper 45, 4. The deposition of Dr. Katz covered his testimony in four related proceedings involving four different patents: CBM2014-00102 (Patent 8,118,221 B2), CBM2014-00106 (Patent 8,033,458 B2), CBM2014-00108 (Patent 8,061,598 B2), and CBM2014-00112 (Patent 7,942,317 B2). Ex. 1031, 1. Patent Owner would have us exclude testimony in this proceeding because the question posed used claim terms at issue only in the related proceedings. It would be overly burdensome, however, to require counsel to ask the same question four different times using claim language unique to a particular

patent each time. Although some of the questions posed may have used terms or phrases not recited explicitly in the instituted claims of the '317 patent, we are not persuaded that the use of such a term or phrase renders the answer elicited irrelevant to the issues in this proceeding. With respect to questions regarding conditional access at page 36, line 10 to page 37, line 11, for example, we agree with Petitioner that this testimony is relevant both to aspects of the prior art relied upon by Petitioner and to the operation of embodiments described in the '317 patent. Accordingly, we decline to exclude these portions of Exhibit 1031.

Exhibits 1101–1120 and 1122–1129

Patent Owner seeks to exclude Exhibits 1101–1120 and 1122–1129 (filed in the 113 case) under FRE 403 on the grounds that they are identical to Exhibits 1001–1020 and 1022–1029 (filed in the 112 case), and are therefore “needless cumulative evidence.” Paper 38, 13–14; Paper 47, 5.

Petitioner counters that these exhibits should not be excluded for the same reasons that Exhibits 1001–1020 and 1002–1029 should not be excluded. Paper 42, 2 n.3.

We do not rely on these exhibits. Accordingly, Patent Owner’s Motion to Exclude is moot as to these exhibits.

V. CONCLUSION

Petitioner has shown by a preponderance of the evidence that claims 1, 6–8, 12, 13, 16, and 18 of the '317 patent are unpatentable under 35 U.S.C. § 103.

VI. ORDER

Accordingly, it is:

ORDERED that claims 1, 6–8, 12, 13, 16, and 18 of the '317 patent are 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-in-part* and *dismissed-in-part*;

FURTHER ORDERED that Exhibit 1009 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.

CBM2014-00112
Patent 7,942,317 B2

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