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Paper 31
Entered: November 7, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00127
Patent 7,334,720 B2

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

ELLURU, *Administrative Patent Judge*.

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

INTRODUCTION

A. Background

Apple Inc. ("Petitioner"), filed a Petition to institute covered business method patent review of claims 4–12 and 16–18 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, "the '720 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet.").[1] Smartflash LLC ("Patent Owner") filed a Preliminary Response. Paper 5 ("Prelim. Resp."). On November 10, 2015, we instituted a covered business method patent review (Paper 7, "Institution Decision" or "Inst. Dec.") based upon Petitioner's assertion that claims 4–12 and 16–18 ("the challenged claims") are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25.[2]

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, "PO Resp.") and Petitioner filed a Reply (Paper 21, "Pet. Reply") to Patent Owner's Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 ("Notice"). Petitioner filed a Response to Patent Owner's Notice. Paper 29 ("Notice Resp.").

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 30 ("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

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

[2] Although Patent Owner argues that claim 17 is not indefinite, we did not institute a review of claim 17 on that basis. Inst. Dec. 25.

preponderance of the evidence that claims 4–12 and 16–18 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

The '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.), and; *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 2, 35–36; Paper 4, 4–5.

We have issued three previous Final Written Decisions in reviews challenging the '720 patent. In CBM2015-00028[3], we found claims 1 and 2 of the '720 to be unpatentable *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00028, (PTAB May 26, 2016) (Paper 44). In CBM2015-00029[4], we found claims 3 and 15 of the '720 to be unpatentable. *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00029, (PTAB May 26, 2016) (Paper 43). In CBM2014-00190[5], we cound claims 13 and 14 of the '720 to be unpatentable. *Samsung Electronics America, Inc. et. al v. Smartflash LLC*, Case CBM2014-00190, (May 26, 2016) (Paper 47).

[3] The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00028, Paper 29, 9–11.

[4] The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00029, Paper 28, 9–11.

[5] CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. CBM2014-00190, Paper 31, 6–7.

C. The '720 Patent

The '720 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored," and the "corresponding methods and computer programs." Ex. 1001, 1:6–10. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the Internet without authorization. *Id*. at 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 1:56–59. The '720 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See*, *e.g.*, *id.* at 26:13–16 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.").

D. Challenged Claims

The claims under review are claims 4–12 and 16–18 of the '720 patent. Inst. Dec. 25. Of the challenged claims, claims 4–12 depend,

directly or indirectly, from independent claim 3 (held unpatentable under § 101 in CBM2015-00029). Claims 16–18 depend, directly or indirectly, from independent claim 14 (held unpatentable under § 101 in CBM2014-00190). Claims 3 and 14 are illustrative of the claimed subject matter and recite the following:

> 3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
>
> a first interface for communicating with the data supplier;
>
> a data carrier interface for interfacing with the data carrier;
>
> a program store storing code; and
>
> a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:
>
> code to read payment data from the data carrier and to forward the payment data to a payment validation system;
>
> code to receive payment validation data from the payment validation system;
>
> code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
>
> code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41–67.

> 14. A method of providing data from a data supplier to a data carrier, the method comprising:
>
> reading payment data from the data carrier;

> forwarding the payment data to a payment validation system;
>
> retrieving data from the data supplier;
>
> writing the retrieved data into the data carrier;
>
> receiving at least one access rule from the data supplier; and
>
> writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

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

B. Statutory Subject Matter

The Petition challenges claims 4–12 and 16–18 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 43–73. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id*. Petitioner submits a declaration from Dr. John

P. J. Kelly in support of its Petition.[6] Ex. 1019. Patent Owner argues that the challenged claims are statutory because they are "'rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks," that of "data content piracy.'" PO Resp. 1–2 (citation omitted).

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: "processes, machines, manufactures, and compositions of matter." *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a "machine," i.e., a "data access terminal" (claims 4–12) or a "process," i.e., a "method" (claims 16–18), under § 101. Section 101, however, "contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable." *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) "for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas

[6] In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 5–16. Because Patent Owner has filed a Motion to Exclude (Paper 24) that includes a request to exclude Dr. Kelly's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

from those that claim patent-eligible applications of these concepts." *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to "determine whether the claims at issue are directed to one of those patent-ineligible concepts." *Id.*

According to the Federal Circuit, "determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions." *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34 ("It is a *building block*, a *basic conceptual framework* for organizing information . . . ." (emphasis added)). This is similar to the Supreme Court's formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is "a *fundamental economic practice* long prevalent in our system of commerce." *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–55 (Fed. Cir. 2014) (stating that patent claims related to "long-familiar commercial transactions" and relationships (i.e., business methods), no matter how "narrow" or "particular," are directed to abstract ideas as a matter of law). As a further example, the "concept of 'offer based pricing' is similar to other 'fundamental economic concepts' found to be abstract ideas by the Supreme Court and [the Federal Circuit]." *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of "payment for and controlling access to data." Pet. 43. Specifically, Petitioner contends that "the challenged claims are drawn to the concepts of

payment and controlling access using rules in that they recite steps to and 'code to,' *e.g.*, read payment data, receive payment validation data, retrieve and write data in response to payment validation data, and receive and write access rules in response to payment validation data." *Id.* at 46–47.

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content. For example, claim 3 (from which challenged claims 4–12 depend) recites "code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier." Claim 14 (from which challenged clams 16–18 depend) recites "writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system."

As discussed above, the '720 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:26–41. The '720 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id*. at 1:46–1:59. The '720 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:60–2:3.

Although the specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of

the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims claims 4–12 and 16–18 are directed to "machines or processes," and "are not directed to an abstract idea." PO Resp. 1. Specifically, Patent Owner argues that claims 4–12 cover "a data access terminal comprised of real-world, specialized physical components" (*id*. at 24) and claims 16–18 "are directed to real-world useful processes (*id*. at 25). Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to "machines with specialized physical components" or "real-world useful processes." *Id*. at 24–25. As Petitioner correctly points out (Pet. Reply 2–3), that argument is contradicted by well-established precedent:

> There is no dispute that a computer is a tangible system (in § 101 terms, a "machine"), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept. Such a result would make the determination of patent eligibility "depend simply on the draftman's art," … thereby eviscerating the rule that "'… abstract ideas are not patentable.'"

Alice Corp., 134 S. Ct. at 2358-59 (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 21–21. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel's

determination turned on a step requiring "correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier" and on the Petitioner's formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, (PTAB Oct. 19, 2015) (Paper 7, 13).

Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they "each of the instituted claims requires retrieval or forwarding of data responsive to or correlated with some other data (e.g., payment validation data or payment data)." PO Resp. 22. As the panel in CBM2015-00113 explained, however, the claims at issue there required "particular types of searching processes"—i.e., "a non-exhaustive, near neighbor search"—that are different than the abstract idea alleged by Petitioner in that proceeding. CBM2015-00113, Paper 7, 12–13. In this case, none of the challenged claims recite a *specific* search process by which retrieval or forwarding of data is correlated with some other data. For example, claim 3 recites "code responsive to the payment validation data to recdive at least one access rule from the data supplier and to write the lat least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data into the data carrier." Claim 14 recites "writing the lat least one access rule into the data carier, the at least one access rule specifying at least one condidtion for accessing the retrieved data written into the data carrier." With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 23–24. The panel's determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic,*

LLC, CBM2015-00147 (PTAB Nov. 30, 2015) (Paper 14, 14) ("As in *DDR*, we are persuaded that, however the abstract idea is characterized, the '854 patent claims do not meet the second prong of the *Mayo/Alice* test.").

Patent Owner's Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are "'directed to an improvement to computer functionality.'" Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are "directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives" (*id.* at 2) and, therefore, "like those in *Enfish*, 'are directed to a *specific implementation of a solution to a problem*,' in Internet digital commerce" (*id.* at 3) (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they "merely implement an old practice in a new environment." *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), "'perform[] generic computer functions such as storing, receiving, and extracting data' using 'physical components'" that "'behave exactly as expected according to their ordinary use' and 'merely provide a generic environment in which to carry out the abstract idea' of controlling access to content based on payment and/or rules." Notice Resp. 2–3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612–15). The limitations of the challenged claims—e.g., "code to read,"

"code to receive," "code to retreive," "code to write," "reading," "forwarding," "retrieving," and "writing"—are so general that they

> do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the specification and the language of the challenged claims, that claims 4–12 and 16–18 of the '720 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be "generating tasks [based on] rules . . . to be completed upon the occurrence of an event").

2. Inventive Concept

"A claim that recites an abstract idea must include 'additional features' to ensure 'that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].'" *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). "This requires more than simply stating an abstract idea while adding the words 'apply it' or 'apply it with a computer.' Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment." *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional

functions is not enough. *See Alice*, 134 S. Ct. at 2360 ("Nearly every computer will include a 'communications controller' and 'data storage unit' capable of performing the basic calculation, storage, and transmission functions required by the method claims.").

Petitioner argues that "the [challenged c]laims' 'additional features' recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept." Pet. Reply 6. We are persuaded that claims 4–12 and 16–18 of the '720 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of "generating tasks [based on] rules . . . to be completed upon the occurrence of an event" to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 52–73.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they "are directed only to an abstract idea with nothing more than 'well-understood, routine, conventional activity.'" Pet. 52 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite "specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract

idea." PO Resp. 37 (quoting Ex. 2049, 19) (emphasis omitted). We agree with Petitioner for the following reasons.

The '720 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, data carrier, program store, and processor). *See* Pet. Reply 6–7, 15 (citing Ex. 1001, 3:64–4:2, 11:36–38, 12:38–41, 13:46–49, 16:47–67, 18:24–30). With respect to the recited "data carrier" and "payment validation system" in claims 3 and 14, for example, the Specification notes that the data carrier may be a generic, known, hardware device such as a "standard smart card," and that "[t]he payment validation system may be part of the data supplier's computer systems or it may be a separate e-payment system." *See* Ex. 1001, 8:22–25, 8:64–66, 11:36–39, 13:46–58. Moreover, on this record, Patent Owner has not argued persuasively that any of the other potentially technical additions to the claims performs a function that is anything other than "purely conventional." *Alice*, 134 S. Ct. at 2359. The use of a data carrier and the linkage of existing hardware devices appear to be "'well-understood, routine, conventional activit[ies]' previously known to the industry." *Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1294.

Further, "[t]he challenged claims' 'code to' and other functional limitations simply instruct that the abstract ideas of payment for and controlling access to data should be implemented in software." Pet. 56. The claimed computer code performs generic computer functions, e.g., code to receive/retrieve/write data (claim 3); "reading," "forwarding," "retrieving," "writing," "receiving," and "transmitting" (claim 14). *See* Pet. 56–59. The recitation of these generic computer functions is insufficient to confer

specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) ("The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.").

Moreover, we are not persuaded that claims 4–12 and 16–18 "recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than" paying for and/or controlling access to content. *See* PO Resp. 37 (quoting Ex. 2049, 19) (emphasis omitted). The challenged claims generically recite several memories, including "a program store" and "data carrier," and generically recite several data types, including "code," payment data," "payment validation data," "data," and "access rule." We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the '720 patent related to the way these memories or data types are constructed or used. In fact, the '720 patent simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 ("The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions."). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) ("We have described step two of this analysis as a search for an 'inventive concept'—*i.e.*, an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to

significantly more than a patent upon the [ineligible concept] itself.'") (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10–11 ("The claims thus do not go beyond 'stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.'").

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a "particular machine." Pet. 73; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains "a useful and important clue" for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. *Id*.

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

b. DDR Holdings

Relying on the Federal Circuit's decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject matter because the claimed solution is "'necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.'" PO Resp. 1–2, 30 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

> By using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access

> to the digital content. By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.

Id. at 19.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 13–16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host's website to a third party website. *Id*. The Federal Circuit distinguished this Internet-centric problem over "the 'brick and mortar' context" because "[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party." *Id*. at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify "how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink." *Id*. The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but still is able to purchase a product from a third-party merchant. *Id*. at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites "using the data retrieved, automatically generate and transmit to the web

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

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner's argument that the challenged claims are "rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks"—that of "data content piracy"—(PO Resp. 1–2), and address the "technological problems created by the nature of digital content and the Internet" (*id.* at 29). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 13–14 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts of compact discs and DVDs. *Id.* (citing e.g., Ex. 1019 ¶¶ 48–49, 52, 76); Ex. 1001, 5:4–7 ("where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking"); Ex. 1041. Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet, we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. *See* Pet. Reply 14–16. Further, whatever the problem, the solution provided by the challenged

claims is not rooted in specific computer technology, but is based on the abstract idea of controlling access to content by conditioning access on a rule/payment. *See* Pet. Reply 16 (citing *Ultramerical*, 772 F.3d at 712); *id.* at 14 (citing Ex. 1019 ¶¶ 48–52, 76).

Even accepting Patent Owner's assertion that the challenged claims address data piracy on the Internet (PO Resp. 2), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '720 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 3 of the '720 patent recites "code responsive to the payment validation data to retrieve data from the data supplier," and "code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier." Claim 14 recites "writing the retreieved data into the data carrier," "receiving at least one access rule from the data supplier," and "writing the at least one access rule nto the data carrier." There is no language in these claims, in any of the other challenged claims, or in the specification of the '720 patent, that demonstrates that the generic computer components—"code" "to receive" and "to retrieve," and "to write," (claim 3) and "reading, forwarding, retrieving," and "writing" (claim 14)—function in an unconventional manner or employ sufficiently specific programming. Instead, the "code" limitations of claim 3, for example, like all the other limitations of the challenged claims, are "specified at a high level of generality," which the Federal Circuit has found to be "insufficient to supply an inventive concept." *Ultramercial, Inc.*, 772

F.3d at 716. These limitations merely rely on conventional devices and computer processes operating in their "normal, expected manner." *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramercial*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on an access rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as "interfaces," "processor," "data carrier," "program store," and "payment validation system," and routine additional steps such as reading payment data, forwarding the payment data, receiving payment validation data, and writing into the data carrier does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 ("Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.").

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

c. *Bascom*

Patent Owner's Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit's decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

> [The Federal Circuit] concluded at step two that the claims did not "merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components." *Id.* at *6-*7. The patent claimed "installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user." *Id.* at *6. That design provided specific benefits over alternatives; it was not "conventional or generic." *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims "'recite a specific, discrete implementation' – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content." *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components "arranged in a non-conventional and non-generic way," namely by requiring "a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus 'improv[ing] an existing technological process.'" *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner's showing that doing so was neither inventive nor improved "'the performance of the computer system itself.'" Notice Resp. 4 (quoting *Bascom*, 827 F.3d at 1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 12 (citing Ex. 1015); Ex. 1015, 10:24–28 (describing a "rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period."); *see also* Pet. 31 (citing Ex. 1013); Ex. 1013, Abstract (describing

"[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work."). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is "an abstract-idea-based solution implemented with generic technical components in a conventional way," making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner's Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an "inventive concept" because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the '720 patent: "'[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.'" PO Resp. 18–19 (quoting Ex. 1001, 5:25–29). Referring to this disclosure, Patent Owner argues that "[b]y using a system that combines on the data carrier the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content." *Id*. at 19. Patent Owner concludes that

> By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD. Similarly, there was no way to track a use of the DVD such that a system could limit its playback to specific number of times (e.g., three times) or determine that the DVD had only been partially used.

Id. at 19.

As Petitioner notes, the concept of continuously enforced access control to digital content is not recited in the challenged claims. Pet. Reply 8 n.3. We additionally note that none of the challenged claims recite "partially used." Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—digital content and use rules/use status data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art discloses products that could store both the content and conditions for providing access to the content, as discussed above. To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 17–18)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the "broad functional coverage [of the challenged claims] firmly triggers preemption concerns." Pet. 71. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 46–53. According to Patent Owner, the challenged claims do not result in inappropriate preemption "because they contain elements not required to practice the abstract idea." *Id.* at 38; *see also id.* at 53 ("the [challenged] claims do not tie up or prevent the use of the purported abstract idea. . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed"). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 43–46. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 48.

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

the preemption. *See Ariosa*, 788 F.3d at 1379 ("The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.").

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention's preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 18–20 (arguing that Patent Owner's position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

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

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

f. Patent Owner's Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation ("the "co-pending litigation") with Patent Owner (PO Resp. 53–54); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 54); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id*. at 55–57); and (4) section 101 is not a ground on which a Covered Business Method patent review may be instituted (*id*. at 57–59). For the following reasons, we are not persuaded by these arguments.

As a preliminary matter, Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that "[t]he question of whether the instituted claims [of the '720 Patent] are

directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding." PO Resp. 54.

In addition, we decline to consider Patent Owner's constitutional challenge as, generally, "administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments." *See Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1770 (TTAB 1999) ("[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional."); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) ("for the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment").

As to Patent Owner's remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that "'the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.'" PO Resp. 57 n.2 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

g. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that the challenged claims of the '720 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner's Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 24, "Motion"), Petitioner filed an Opposition to Patent Owner's Motion (Paper 25, "Opp."), and Patent Owner filed a Reply in support of its Motion (Paper 27). Patent Owner seeks to exclude Exhibits 1002–1008, 1011–1019, 1025–1028, 1036–1045.[7] Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibit 1002 and 1045

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit 1045—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–4; Paper 29, 1–2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner's characterization of the '720 patent in the complaint because the '720 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the '720 patent is irrelevant and, even if relevant, cumulative to the '720 patent itself. *Id.* at 2–4.

We are persuaded that Exhibits 1002 and 1045 are offered not for the truth of the matter asserted (i.e., the content of the '720 patent), but as evidence of how Patent Owner has characterized the '720 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1045 are evidence

[7] Patent Owner lists Exhibit 1005 (Mot. 1, 12), but does not provide any argument with respect to it.

of the content of a writing or that it is cumulative to the ’720 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1045 are irrelevant, at least because its characterization of the ’720 patent in prior proceedings is relevant to the credibility of its characterization of the ’720 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1045 do not contradict its characterization of the ’720 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’720 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’720 patent does not satisfy the “financial in nature” requirement for a covered business method patent review (PO Resp. 60–65; Prelim. Resp. 38–43).

Accordingly, we decline to exclude Exhibits 1002 and 1038.

2. Exhibits 1003, 1004, 1006–1008, 1011–1018, 1025–1028, 1036–1039, and 1041–1044

Patent Owner seeks to exclude Exhibits 1003, 1004, 1006–1008, 1011–1018, 1025–1028, 1036–1039, and 1041–1044 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 4–7; Paper 27, 2–3.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 4–5. Petitioner further contends that the Petition and Kelly Declaration rely on these prior

art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id*. at 5.

Patent Owner argues that whether limitations of the challenged claims were well-known, routine, and conventional is only relevant after finding that a claim is directed to an abstract idea, which is not necessary in this case because the claims are not directed to an abstract idea. Mot. 6–7. Petitioner argues that "[i]t would be nonsensical to exclude the Prior Art Exhibits before the Board determines whether it needs to perform the second step of the *Mayo* analysis, as PO urges" (Opp. 6), and that the claims are directed to an abstract idea (*id.* at 6–8).

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, Dr. Kelly attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see*, *e.g.*, Ex. 1019 ¶ 9) and many of these exhibits are cited in the Petition's discussion of the § 101 challenge (s*ee*, *e.g.*, Pet. 47–48 (citing Exs. 1003, 1004, 1007, 1013, 1014, 1019, 1027, 1040, 1041)). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1003, 1004, 1006–1008, 1011–1018, 1025–1028, 1036–1039, and 1041–1044.

3. Exhibit 1019

Patent Owner moves to exclude Exhibit 1019, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE

702. Mot. 7–12; Paper 29, 3–4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because Dr. Kelly (1) does not employ scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 7–12; Paper 27, 3–4. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly's testimony is "'based on sufficient facts or data,'" is "'the product of reliable principles and methods,'" or "'reliably applie[s] the principles and methods to the facts of the case.'" Paper 27, 3.

Petitioner argues that (1) Dr. Kelly's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues; (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 8–12 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly's Declaration. Because Exhibit 1019 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant

under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1019 in its entirety or any paragraph therein.

4. Exhibit 1040

Patent Owner moves to exclude Exhibit 1040, the April 8–9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner's expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 29, 4. Petitioner argues that this testimony is not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if it is hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12–14. Patent Owner argues that Dr. Katz's admissions as to what was in the prior art are irrelevant to a § 101 analysis because "[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional." Paper 27, 4.

We agree with Petitioner that Dr. Katz's testimony is not hearsay because it was offered against an opposing party, is testimony that Patent Owner adopted or believed to be true, and was provided by a person, Dr. Katz, whom Patent Owner authorized to provide testimony on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

ORDER

Accordingly, it is:

ORDERED that claims 4–12 and 16–18 of the ’720 patent are determined to be *unpatentable*;

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

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

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