UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

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Case CBM2014-00105
Patent 7,334,720 B2

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

ELLURU, *Administrative Patent Judge*.

DECISION

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. ("Apple"), filed a Petition (Paper 6, "Pet.") to institute a covered business method patent review of claims 1, 3, 11, and 13–15 ("the challenged claims") of U.S. Patent No. 7,334,720 (Ex. 1101, "the '720 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary Response (Paper 7, "Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business patent review may not be instituted "unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."

B. Asserted Grounds

Apple contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (Pet. 22–23, 45–80).

References	Basis	Claims Challenged
Ginter[1]	§ 102	1
Ginter and Maari[2]	§ 103	1
Ginter	§ 103	1, 3, 11, and 13–15
Ginter and Sato[3]	§ 103	1, 3, 11, and 13–15

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[1] U.S. Patent No. 5,915,019 (Ex. 1115) ("Ginter").

[2] JP Patent Application Publication No. H10-269289 (including translation), published October 9, 1998 (Ex. 1119, "Maari").

[3] JP Patent Application Publication No. H11-164058 (including translation), published June 18, 1999 (Ex. 1118, "Sato").

References	Basis	Claims Challenged
Ginter, Stefik '235[4], and Stefik '980[5]	§ 103	1, 3, 11, and 13–15
Ginter and Poggio[6]	§ 103	3, 11, and 13–15
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	3, 11, and 13–15

Petitioner also provides a declaration from Anthony J. Wechselberger.[7] Ex. 1121.

After considering the Petition and Preliminary Response, we determine that the '720 patent is a covered business method patent. We further determine, however, that Apple has not demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we deny institution of a covered business method patent review of claims 1, 3, 11, and 13–15 of the '720 patent.

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '720 patent and identify the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). Pet. 21; Papers 5, 8.

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[4] U.S. Patent No. 5,530,235 (Ex. 1113) ("Stefik '235").

[5] U.S. Patent No. 5,629,980 (Ex. 1114) ("Stefik '980").

[6] European Patent Application, Publication No. EP 0809221 A2 (including translation), published November 26, 1997 (Ex. 1116, "Poggio").

[7] On this record, we are not persuaded by Patent Owner's argument that we should disregard the Wechselberger Declaration. *See* Prelim. Resp. 20–23. Patent Owner identifies purported omissions from the Declaration, but offers no evidence that Mr. Wechselberger used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field. *Id.*

The parties also indicate that the '720 patent is the subject of a second case, to which Apple is not a party: *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.). *Id.*

Apple filed a concurrent petition for covered business method patent review of the '720 patent: CBM2014-00104.[8] In addition, Apple filed ten other petitions for covered business method patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter: CBM2014-00102; CBM2014-00103; CBM2014-00106; CBM2014-00107; CBM2014-00108; CBM2014-00109; CBM2014-00110; CBM2014-00111; CBM2014-00112; and CBM2014-00113.

D. The '720 Patent

The '720 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1101, 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

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[8] Patent Owner argues that the multiple petitions filed against the '720 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 11–13. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of the '104 and the '105 Petitions meets that requirement.

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 may be implemented in many ways. *See, e.g.,* *id.* at 26:13–16 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .").

E. Challenged Claims

Petitioner challenges claims 1, 3, 11, and 13–15 of the '720 patent. Claims 1, 3, and 14 are independent. Claims 11 and 13 depend from claim 3 and claim 15 depends from claim 14. Claims 1 and 3 are illustrative of the claims at issue and recite the following.

> 1.   A method of controlling access to content data on a data carrier, the data carrier comprising non-volatile data memory storing content memory and non-volatile parameter memory storing use status data and use rules, the method comprising:
>
> receiving a data access request from a user for at least one content item of the content data stored in the nonvolatile data memory;
>
> reading the use status data and use rules from the parameter memory that pertain to use of the at least one requested content item;
>
> evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted; and

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