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Paper 52
Entered: September 25, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00106[1]
Patent 8,033,458 B2

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

PLENZLER, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

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

[1] Case CBM2014-00107 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, 10, and 11 ("the challenged claims") of U.S. Patent No. 8,033,458 B2 (Ex. 1001, "the '458 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). CBM2014-00106 (Paper 2, "106 Pet.") and CBM2014-00107 (Paper 2, "107 Pet.").[2] On September 30, 2014, we consolidated CBM2014-00106 and CBM2014-00107 and instituted a transitional covered business method patent review (Paper 8, "Decision to Institute" or "Dec.") based upon Petitioner's assertion that claim 1 is unpatentable based on the following grounds:

Reference[s][3]	**Basis**	**Claims Challenged**
Stefik '235[4] and Stefik '980[5]	§ 103(a)	1
Ginter[6]	§ 103(a)	1

Dec. 26. Petitioner also provides declarations from Anthony J. Wechselberger ("Wechselberger Declaration."). 106 Ex. 1021; 107 Ex. 1121.

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[2] Unless otherwise specified, hereinafter, paper numbers refer to paper numbers in CBM2014-00106.
[3] Exhibits with numbers 1001–1029 were filed in CBM2014-00106 and those with numbers 1101–1129 were filed in CBM2014-00107. CBM2014-00106 additionally includes Exhibits 1030–1035. For purposes of this decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00106.
[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 23, "PO Resp.") and, in support, a declaration from Jonathan Katz, Ph.D. ("Katz Declaration"). Ex. 2029. Petitioner filed a Reply (Paper 33, "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 51, "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 claim 1 of the '458 patent is unpatentable.

B. The '458 Patent

The '458 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs." Ex. 1001, 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of "data pirates" who make proprietary data available over the internet without authorization. *Id*. at 1:29–55. The '458 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable

storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5.

The '458 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 '458 patent and identify the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.*, 106 Pet. 20; 106 Paper 5, 2. The parties also indicate that the '458 patent and other patents in the same patent family are the subject of a several other district court cases. *Id.*

In addition to the 106 and 107 Petitions, Apple and other petitioners have 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 Claim

Apple challenges claim 1 of the '458 patent. Claim 1 recites the following:

> 1. A portable data carrier, comprising:
>
> an interface for reading and writing data from and to the carrier;
>
> non-volatile data memory, coupled to the interface, for storing data on the carrier;

> non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;
>
> a program store storing code implementable by a processor;
>
> a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store; and
>
> a subscriber identity module (SIM) portion to identify a subscriber to a network operator
>
> wherein the code comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Id. at 25:53–26:3.

II. EVIDENTIARY MATTERS

A. Wechselberger Declaration

Patent Owner contends that the Wechselberger declaration should be given little or no weight. PO Resp. 5–8.

In its Preliminary Response, Patent Owner argued that we should disregard Mr. Wechselberger's testimony, 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.11. Patent Owner renews this contention, arguing in its Response that both declarations by Mr. Wechselberger (Ex. 1021; Ex. 1121) should be given little or no weight because they do not state the evidentiary standard that he used in arriving at his conclusions and, therefore, he "used incorrect criteria." PO Resp. 5–7. In addition, referring to excerpts from Mr. Wechselberger's deposition, Patent Owner contends that Mr.

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