Trials@uspto.gov
Tel: 571-272-7822

Paper 7
Entered: September 30, 2014

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00110
Patent 8,336,772 B2

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

POWELL, *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 2, "Pet.") to institute a covered business method patent review of claims 1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32 ("the challenged claims") of U.S. Patent No. 8,336,772 B2 (Ex. 1001, "the '772 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary Response (Paper 6, "Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted "unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable."

B. Asserted Grounds

Apple contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (Pet. 18, 31–79).

References	Basis	Claims Challenged
Stefik '235[1] and Stefik '980[2]	§ 102[3]	8, 10, 19, 22, 30, and 32

[1] U.S. Patent No. 5,530,235 (Ex. 1013) ("Stefik '235").

[2] U.S. Patent No. 5,629,980 (Ex. 1014) ("Stefik '980").

[3] Apple refers to Stefik '235 and Stefik '980 collectively as "Stefik" and argues that they should be considered as a single reference for anticipation purposes because, according to Apple, Stefik '235 incorporates Stefik '980 by reference. Pet. 23–24, n.11. Smartflash disagrees. Prelim. Resp. 13–15. We do not reach the issue because we determine that Apple does not demonstrate that the combined teachings of Stefik '235 and Stefik '980 teach all the recited claim limitations. In the discussion below, we use "Stefik" to refer to the combined teachings of Stefik '235 and Stefik '980.

References	Basis	Claims Challenged
Stefik '235 and Stefik '980	§ 103	1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32
Stefik '235, Stefik '980, and Poggio[4]	§ 103	1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32
Stefik '235, Stefik '980, and Sato[5]	§ 103	1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32
Stefik '235, Stefik '980, Poggio, and Sato	§ 103	1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32

Apple also provides a declaration from Anthony J. Wechselberger ("the Wechselberger Declaration").[6] Ex. 1021.

After considering the Petition and Preliminary Response, we determine that the '772 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, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32 of the '772 patent.

[4] European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1016) ("Poggio").

[5] JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1018) ("Sato").

[6] On this record, we are not persuaded by Smartflash's argument that we should disregard the Wechselberger Declaration. *See* Prelim. Resp. 16–18. Smartflash identifies purported omissions from the Declaration, but offers no evidence that Mr. Wechselberger used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field. *Id*.

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '772 patent, identifying the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). Pet. 17; Papers 4, 5. The parties also indicate that the '772 patent is the subject of other district court cases, to which Apple is not a party: *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.), and *Smartflash LLC v. Google*, Case No. 6:14-cv-435 (E.D. Tex.). *Id.*; *Apple, Inc. v. Smartflash LLC*, Case CBM2014-00111 (PTAB), Pet. 19, Papers 4, 5.

Apple filed a concurrent Petition for covered business method patent review of the '772 patent: CBM2014-00111.[7] In addition, Apple filed ten other Petitions for covered business method patent reviews challenging claims of patents owned by Smartflash and disclosing similar subject matter: CBM2014-00102; CBM2014-00103; CBM2014-00104; CBM2014-00105; CBM2014-00106; CBM2014-00107; CBM2014-00108, CBM2014-00109; CBM2014-00112; and CBM2014-00113.

D. The '772 Patent

The '772 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, 1:24–28. Owners of proprietary data, especially audio recordings,

[7] Smartflash argues that the multiple petitions filed against the '772 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. 11–12. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and the Petition in each of CBM2014-00110 and CBM2014-00111 meets that requirement.

have an urgent need to address the prevalence of "data pirates," who make proprietary data available over the internet without authorization. *Id*. at 1:32–58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the '772 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 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. 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 2:4–7. The '772 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 25:59–62 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.").

E. Challenged Claims

Apple challenges claims 1, 5, 8, 10, 14, 19, 22, 25, 26, 30, and 32 of the '772 patent. Claims 1, 8, 14, 19, 25, and 30 are independent. Claim 5 depends from claim 1; claim 10 depends from claim 8; claim 22 depends from claim 19; claim 26 depends from claim 25; and claim 32 depends from claim 30. Claims 1 and 25 are illustrative of the claims at issue and recite the following.

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