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Paper 50
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 CBM2014-00108[1]
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

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

[1] Case CBM2014-00109 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, 2, 7, 13, 15, 26, and 31 "the challenged claims") of U.S. Patent No. 8,061,598 B2 (Ex. 1001, "the '598 patent") pursuant to § 18 of the Leahy-Smith America Invents Act "AIA"). CBM2014-00108 (Paper 2, "108 Pet.") and CBM2014-00109 (Paper 2, "109 Pet.").[2] On September 30, 2014, we consolidated CBM2014-00108 and CBM2014-00109 and instituted a transitional covered business method patent review (Paper 8, "Decision to Institute" or "Dec.") based upon Petitioner's assertion that claim 26 is unpatentable based on the following grounds:

Reference[s][3]	**Basis**	**Claims Challenged**
Stefik '235[4] and Stefik '980[5]	§ 103(a)	26
Ginter[6]	§ 103(a)	26

Dec. 22. Petitioner also provides declarations from Anthony J. Wechselberger ("Wechselberger Decl."). 112 Ex. 1021; 113 Ex. 1121.

[2] Unless otherwise specified, hereinafter, paper numbers refer to paper numbers in CBM2014-00108.

[3] Exhibits with numbers 1001–1029 were filed in CBM2014-00108 and those with numbers 1101–1129 were filed in CBM2014-00109. For purposes of this Decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00108.

[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. (Ex. 2030, "Katz Declaration"). Petitioner filed a Reply (Paper 31, "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 49, "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 26 of the '598 patent is unpatentable.

B. The '598 Patent

The '598 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 '598 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 2:1–4.

The '598 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 '598 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.*, 108 Pet. 23; Paper 5, 2. Patent Owner indicates that the '598 patent and other patents in the same patent family are the subject of several other district court cases. Paper 33, 3–4.

In addition to the 108 and 109 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 26 of the '598 patent. Claim 26 recites the following:

> 26. A portable data carrier comprising:
>
> an interface for sending and receiving data from and to the carrier;
>
> memory, coupled to the interface, for storing data on the carrier;
>
> a processor for controlling access to data; and

> a subscriber identity module (SIM) portion storing identification data to identify a user of said portable data carrier to a network operator.

Ex. 1001, 27:45–53.

II. EVIDENTIARY MATTERS

A. Wechselberger Declaration

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. 16 n.5. 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. 4–7. In addition, referring to excerpts from Mr. Wechselberger's deposition, Patent Owner contends that Mr. Wechselberger "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. Thus, according to Patent Owner, should we afford any weight to Mr. Wechselberger's testimony, we would be accepting his opinion without knowing "'the underlying facts . . . on which the opinion is based' (i.e., how much evidence he thinks shows 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

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