

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 CBM2014-00102  
Case CBM2014-00103  
Patent 8,118,221 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.*

BISK, *Administrative Patent Judge.*

DECISION

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

INTRODUCTION

*A. Background*

Apple Inc. (“Petitioner”) filed two Petitions to institute covered  
business method patent review of claims 1, 2, 11-14, and 32 (the “challenged

CBM2014-00102 and CBM2014-00103  
Patent 8,118,221 B2

claims”) of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).<sup>1</sup> CBM2014-00102, Paper 2 (“’102 Pet.”); CBM2014-00103, Paper 2 (“’103 Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response in each of the two cases. CBM2014-00102, Paper 6 (“’102 Prelim. Resp.”); CBM2014-00103, Paper 6 (“’103 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*

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (’102 Pet. 20–21, 26–79; ’103 Pet. 22–23; 28–79).

References	Basis	Claims Challenged
CBM2014-00102		
Stefik ’235 <sup>2</sup> and Stefik ’980 <sup>3</sup>	§ 102 <sup>4</sup>	1, 11, 12, and 32

<sup>1</sup> Patent Owner argues that the multiple petitions filed against the ’458 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. ’102 Prelim. Resp. 10–11; ’103 Prelim. Resp. 10–11. 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 ’102 and the ’103 Petitions is within that requirement.

<sup>2</sup> U.S. Patent 5,530,235 (Ex. 1013) (“Stefik ’235”).

<sup>3</sup> U.S. Patent 5,629,980 (Ex. 1014) (“Stefik ’980”).

<sup>4</sup> Petitioner 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 Petitioner, Stefik ’235 incorporates

References	Basis	Claims Challenged
Stefik '235 and Stefik '980	§ 103	1, 11, 12, and 32
Stefik '235, Stefik '980, and Poggio <sup>5</sup>	§ 103	1, 2, 11–14, and 32
Stefik '235, Stefik '980, and Sato <sup>6</sup>	§ 103	1, 2, 11–14, and 32
Stefik '235, Stefik '980, Poggio, and Sato	§ 103	1, 2, 11–14, and 32
CBM2014-00103		
Ginter <sup>7</sup>	§ 103	1, 2, 11–14, and 32
Ginter and Poggio	§ 103	1, 2, 11–14, and 32
Ginter, Stefik '235, and Stefik '980	§ 103	1, 2, 11–14, and 32
Ginter and Sato	§ 103	1, 2, 11–14, and 32
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	1, 2, 11–14, and 32

Petitioner also provides a Declaration from Anthony J. Wechselberger (“the Wechselberger Declaration”).<sup>8</sup> Ex. 1021; Ex. 1121.<sup>9</sup>

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Stefik '980 by reference. '102 Pet. 26–27, n.13. Patent Owner disagrees. '102 Prelim. Resp. 12–14. We do not reach this issue because even when considered as one reference, we determine that Stefik '235 and Stefik '980 do not teach all the recited claim limitations in the same form and order as listed in the claims.

<sup>5</sup> European Patent Application, Publication No. EP0809221A2 (Ex. 1016) (“Poggio”).

<sup>6</sup> JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1018) (“Sato”).

<sup>7</sup> U.S. Patent No. 5,915,019 (Ex. 1015) (“Ginter”).

After considering the Petitions and Preliminary Responses, we determine that the '221 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we institute a covered business method patent review of claims 1, 2, and 11–14. We deny institution of a covered business method patent review of claim 32.

*C. Related Matters*

Petitioner indicates that the '221 patent is the subject of the following co-pending district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC v. Samsung*, Case No. 6:13-CV-448 (E.D. Tex.). '102 Pet. 20; '103 Pet. 22.

In addition to the Petitions in CBM2014-00102 and CBM2014-00103, Petitioner filed ten other petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00104; CBM2014-00105; CBM2014-00106; CBM2014-00107; CBM2014-00108; CBM2014-00109; CBM2014-00110; CBM2014-00111; CBM2014-00112; and CBM2014-00113.

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<sup>8</sup> On this record, we are not persuaded by Patent Owner's argument that we should disregard the Wechselberger Declaration. *See* '102 Prelim. Resp. 15–17; '103 Prelim. Resp. 18–20. 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.*

<sup>9</sup> Exhibits with numbers 1001–1029 were filed in CBM2014-00102 and those with numbers 1101–1129 were filed in CBM2014-00103. For purposes of this Decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00102.

*D. The '221 Patent*

The '221 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 1:29–56. The '221 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 the 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 '221 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 25:41–44 (“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, 2, 11–14, and 32 of the '221 patent. Claims 1, 12, and 32 are independent. Claims 2 and 11 depend from claim 1 and claims 13 and 14 depend either directly or indirectly from claim 12.

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