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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 CBM2014-00102[1]
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

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

[1] Case CBM2014-00103 has been consolidated with this proceeding.

I. 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 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. CBM2014-00102 (Paper 2, "102 Pet.") and CBM2014-00103 (Paper 2, "103 Pet.").[2] On September 30, 2014, we consolidated CBM2014-00102 and CBM2014-00103 and instituted a transitional covered business method patent review (Paper 8, "Decision to Institute" or "Dec.") based upon Petitioner's assertion that claims 1, 2, and 11–14 are unpatentable based on the following grounds:

Reference[s][3]	**Basis**	**Claims Challenged**
Stefik '235[4] and Stefik '980[5]	§ 103(a)	1, 11, and 12
Stefik '235, Stefik '980, and Poggio[6]	§ 103(a)	2, 13, and 14
Ginter[7]	§ 103(a)	1, 2, and 11–14

[2] Unless otherwise specified, paper numbers refer to paper numbers in CBM2014-00102.
[3] Exhibits with numbers 1001–1035 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.
[4] U.S. Patent No. 5,530,235 (Ex. 1013, "Stefik '235").
[5] U.S. Patent No. 5,629,980 (Ex. 1014, "Stefik '980").
[6] European Patent Application, Publication No. EP 0809221 A2 (Ex. 1016, "Poggio").
[7] U.S. Patent No. 5,915,019 (Ex. 1015, "Ginter").

Dec. 24. Petitioner provides declarations from Anthony J. Wechselberger (102 Pet., Ex. 1021; 103 Pet., Ex. 1121) and Patent Owner provides a declaration from Dr. Jonathan Katz (Ex. 2028).

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 claims 1, 2, and 11–14 of the '221 patent are unpatentable.

B. 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 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 '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.").

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '221 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.*, 102 Pet. 20; Paper 5, 2. Patent Owner indicates that the '221 patent and other patents in the same patent family are the subject of a several other district court cases. Paper 36, 3–4.

In addition to the 102 and 103 Petitions, Apple and several other Petitioners have filed numerous other Petitions for covered business method patent review challenging claims of the '221 patent and other patents owned by Smartflash that disclose similar subject matter.

D. The Instituted Claims

As noted above, we instituted review of claims 1, 2, and 11–14. Of those, claims 1 and 12 are independent. Claims 2 and 11 depend from claim 1 and claims 13 and 14 depend either directly or indirectly from claim 12. Claims 1 and 12 are illustrative of the claims at issue and recite the following:

> 1. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
>
> a first interface for communicating with the data supplier;
>
> a data carrier interface for interfacing with the data carrier;
>
> a program store storing code implementable by a processor; and

a processor, coupled to the first interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.

Ex. 1001, 25:45–61.

12. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier; and

writing the retrieved data into the date [sic] carrier.

Id. at 26:42–48.

II. ANALYSIS

A. Wechselberger Declarations

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.8. 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

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