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 CBM2015-00015
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge*.

DECISION

Institution of Covered Business Method Patent Review
and Denying Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

INTRODUCTION

A. Background

Apple Inc. ("Petitioner"), filed a Corrected Petition (Paper 9, "Pet.") requesting covered business method patent review of claims 1, 2, 11, and 32 (the "challenged claims") of U.S. Patent No. 8,118,221 B2 (Ex. 1201, "the '221 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA").[1] Petitioner also moved to consolidate the grounds raised in this Petition with the already-instituted proceeding, CBM2014-00102, involving the '221 patent. Paper 3 ("Mot."). Smartflash LLC ("Patent Owner") filed a Preliminary Response (Paper 19, "Prelim. Resp.") and an Opposition to Petitioner's motion to consolidate (Paper 10, "Opp."). Petitioner filed a Reply in support of its motion. Paper 18 ("Reply").

We have jurisdiction under 35 U.S.C. § 324(a), 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."

After considering the Petition and Preliminary Response, 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 claim 1. We decline to institute a covered business method patent review of claims 2, 11, and 32. Petitioner's Motion for Joinder is *denied*.

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[1] Pub. L. No. 112–29, 125 Stat. 284, 296–07 (2011).

B. Asserted Grounds

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C. § 101. Pet. 1. Petitioner also contends that claim 32 is unpatentable under § 103 in view of Stefik '235,[2] Stefik '980,[3] Poggio,[4] and Kopp[5]—with or without Smith[6] (Pet. 18).[7] Petitioner provides a Declaration from Anthony J. Wechselberger. Ex. 1221.

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. 2014); and *Smartflash LLC v. Samsung Elecs. Co.*, Case No. 6:13-CV-448 (E.D. Tex. 2014). Pet. 17.

Petitioner previously filed two Petitions for covered business method patent review of the '221 Patent: CBM2014-00102 and CBM2014-00103. Those petitions were instituted and consolidated with respect to several grounds under 35 U.S.C. § 103 challenging claims 1, 2, and 11–14. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, Slip Op. at 24 (PTAB Sept. 30, 2014) (Paper 8); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00103, Slip Op. at 24 (PTAB Sept. 30, 2014) (Paper 8). Patents claiming priority

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[2] U.S. Patent No. 5,530,235 (Ex. 1213) ("Stefik '235").

[3] U.S. Patent No. 5,629,980 (Ex. 1214) ("Stefik '980").

[4] U.S. Patent No. 5,940,805 (Ex. 1210) ("Kopp").

[5] European Patent Application Publication No. EP0809221 A2 (Ex. 1216) ("Poggio").

[6] PCT Publication No. WO 95/34857 (Ex. 1219) ("Smith").

[7] Petitioner refers to Stefik '235 and Stefik '980 collectively as "Stefik" because, according to Petitioner, Stefik '235 incorporates Stefik '980 by reference. Pet. 34 n.15. Patent Owner disagrees. Prelim. Resp. 20–22. Based on our determination below, we need not address this issue.

back to a common series of applications are currently the subject of CBM2014-00106, CBM2014-00108, and CBM2014-00112, filed by Petitioner.

Another party also filed two petitions for covered business method patent review of the '221 Patent: CBM2014-00194 and CBM2014-00199. Those petitions were instituted with respect to 35 U.S.C. § 101 challenging claims 2, 11, and 32 and 35 U.S.C. § 102 challenging claims 2 and 11. *Samsung Elecs. Am., Inc. v. Smartflash LLC*, Case CBM2014-00194, Slip Op. at 20 (PTAB March 30, 2015) (Paper 9); *Samsung Elecs. Am., Inc. v. Smartflash LLC*, Case CBM2014-00199, Slip Op. at 13 (PTAB March 30, 2015) (Paper 9). Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00190, CBM2014-00192, and CBM2014-00193, filed by this same party.

Concurrent with the filing of this Petition, Petitioner filed three other Petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2015-00016, CBM2015-00017, and CBM2015-00018.

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. 1201 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, and 32 of the '221 patent. Claims 1 and 32 are independent. Claims 2 and 11 depend from claim 1. Claims 1 and 32 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;

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