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 CBM2015-00017
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge.*

DECISION
Instituting 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 requesting covered business method patent review of claims 1, 2, 7, 15, and 31 (the "challenged claims") of U.S. Patent No. 8,061,598 (Ex. 1201, "the '598 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA").[1] Paper 9 ("Pet."). Petitioner also filed a Motion for Joinder. Paper 3 ("Mot."). Patent Owner, Smartflash LLC ("Patent Owner"), filed a Preliminary Response (Paper 18, "Prelim. Resp.") and an Opposition to the Motion for Joinder (Paper 10, "Opp."). Petitioner filed a Reply in support of its Motion for Joinder. Paper 17 ("Reply"). We have jurisdiction under 35 U.S.C. § 324(a), 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."

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1, 2, 15, and 31 of the '598 patent. Petitioner's Motion for Joinder is *denied*.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds:

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

References	Basis	Claims Challenged
Not applicable	§ 101	1, 2, 7, 15, and 31
Stefik[2] and Ahmad[3]	§ 103	1, 2, 15, and 31[4]
Stefik, Ahmad, and Kopp[5]	§ 103	1, 2, 15, and 31[6]

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1219.

C. Related Matters

The parties indicate that the '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014). Pet. 20–21; Paper 8, 2–3. Patent Owner also indicates that the '598 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014). Paper 8, 3.

Petitioner previously filed two Petitions for covered business method patent review of the '598 patent: CBM2014-00108 and CBM2014-00109. Those petitions were instituted under 35 U.S.C. § 103 with respect to claim 26, and consolidated into a single proceeding. *Apple Inc. v. Smartflash LLC*,

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[2] U.S. Patent No. 5,530,235 (Ex. 1212) ("Stefik '235"), and U.S. Patent No. 5,629,980 (Ex. 1213) ("Stefik '980") (collectively, "Stefik").

[3] U.S. Patent No. 5,925,127 (Ex. 1203) ("Ahmad")

[4] Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

[5] U.S. Patent No. 5,940,805 (Ex. 1204) ("Kopp")

[6] Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

Case CBM2014-00108 (PTAB Sept. 30, 2014) (Paper 8). Petitioner also previously filed ten Petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00102, CBM2014-00103, CBM2014-00104, CBM2014-00105, CBM2014-00106, CBM2014-00107, CBM2014-00110, CBM2014-00111, CBM2014-00112, and CBM2014-00113. Pet. 21.

Concurrent with the filing of this Petition, Petitioner filed three other Petitions for covered business patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2015-00015, CBM2015-00016, and CBM2015-00018.

D. 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. 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 1:29–55. 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 2:1–5. 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.").

E. Illustrative Claim

Petitioner challenges claims 1, 2, 7, 15, and 31 of the '598 patent. Claims 1 and 31 are independent. Claims 2, 7, and 15 depend from claim 1. Claim 1 is illustrative of the challenged subject matter and recites the following:

> 1.   A portable data carrier comprising:
>
> an interface for reading and writing data from and to the portable data carrier;
>
> content data memory, coupled to the interface, for storing one or more content data items on the carrier;
>
> use rule memory to store one or more use rules for said one or more content data items;
>
> a program store storing code implementable by a processor;
>
> and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,
>
> wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1201, 25:54–67.

ANALYSIS

A. Consolidation

The statutory provision governing consolidation of *inter partes* review proceedings is 35 U.S.C. § 325(c), which reads as follows:

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