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 CBM2015-00018
Patent 7,942,317 B2

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

ELLURU, *Administrative Patent Judge*.

DECISION

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. ("Apple"), filed a Petition (Paper 1, "Pet.") to institute a covered business method patent review of claim 18 ("the challenged claim") of U.S. Patent No. 7,942,317 B2 (Ex. 1201, "the '317 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA").[1] Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary Response (Paper 11, "Prelim. Resp.").

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."

B. Asserted Ground

Apple contends that claim 18 is unpatentable under 35 U.S.C. § 101 (Pet. 1).

After considering the Petition and Preliminary Response, we determine that the '317 patent is a covered business method patent. We further determine that Apple has demonstrated that it is more likely than not that the challenged claim is unpatentable. Therefore, we institute a covered business method patent review of claim 18 of the '317 patent.

C. Related Matters

The parties indicate that the '317 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 Elecs Co.*, Case No. 6:13-cv-

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

448 (E.D. Tex. 2014). Pet. 19; Paper 6, 3. Smartflash also indicates that the '317 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 6, 3.

Apple previously filed two Petitions for covered business method patent review of the '317 patent: CBM2014-00112 and CBM2014-00113. Those petitions were instituted under 35 U.S.C. § 103 with respect to claims 1, 6–8, 12, 13, 16, and 18, and consolidated into a single proceeding. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00112, slip op. at 22 (PTAB Sept. 30, 2014) (Paper 7). Related patents claiming priority back to a common series of applications currently are the subject of CBM2014-00102, CBM2014-00106, and CBM2014-00108, filed by Apple.

Concurrent with the filing of this Petition, Apple filed three other Petitions for covered business patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter: CBM2015-00015, CBM2015-00016, and CBM2015-00017.

D. The '317 Patent

The '317 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, 1:18–23. 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 1:38–51. The '317 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id*. at 1:55–2:3. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id*. at 2:3–11.

As described, the portable data storage device is connected to a terminal for internet access. *Id*. at 1:55–63. 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 1:64–67. The '317 patent makes clear that the actual implementation of these components is not critical and the alleged invention 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. Challenged Claim

Apple challenges claim 18 of the '317 patent, which recites the following.

> 18. A method of providing data to a data requester comprising:
>
> receiving a request for a data item from the requester;
>
> receiving payment data from the requester relating to payment for the requested data;
>
> transmitting the requested data to the requester;
>
> reading payment distribution information from a data store; and
>
> outputting payment data to a payment system for distributing the payment for the requested data.

ANALYSIS

A. Claim Construction

We determine that no claim term requires express construction for purposes of this Decision.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A "covered business method patent" is a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule*, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) ("CBM Rules") (Comment 8).

1. Financial Product or Service

Apple asserts that "because claim 18 explicitly describes *receiving and responding to payment data*, as well as *outputting payment data*, it clearly relates to a financial activity and providing a financial service." Pet. 14. Based on this record, we agree with Apple that the subject matter recited by claim 18 is directed to activities that are financial in nature, namely "receiving payment data from the requester relating to payment for the requested data," "reading payment distribution information from a data store," and "outputting payment data to a payment system for distributing the payment for the requested data," limitations which are recited in the claim. Electronic transfer of money is a financial activity, and providing for such a transfer amounts to a financial service. This is consistent with the Specification of the '317 patent, which confirms claim 18's connection to financial activities by stating that the invention "relates to a portable data

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