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Paper 44
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

and

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00028[1]
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON, and MATTHEW R. CLEMENTS, *Administrative Patent Judges.*

ELLURU, *Administrative Patent Judge*.

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

[1] The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 29, 9–11.

INTRODUCTION

A. Background

Petitioner Apple Inc. ("Apple") filed a Corrected Petition to institute covered business method patent review of claims 1 and 2 of U.S. Patent No. 7,334,720 B2 (Ex. 1201, "the '720 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 5 ("Pet."). Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary Response. Paper 8 ("Prelim. Resp."). On May 28, 2015, we instituted a covered business method patent review (Paper 11, "Institution Decision" or "Inst. Dec.") based upon Apple's assertion that claims 1 and 2 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, "PO Resp."), and Apple filed a Reply (Paper 27, "Reply").

On May 6, 2015, Google Inc. ("Google") filed a Petition to institute covered business method patent review of claims 1 and 15 of the '720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3[2], "Google Pet."). On June 29, 2015, Google filed a "Motion for Joinder" of its newly filed case with Apple's previously instituted cases.[3] CBM2015-00125 (Paper 7, "Google Mot."). On November 16, 2015, we granted Google's Petition and consolidated

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[2] We refer to the redacted version of the Petition.

[3] Google's Motion requested that its challenge to claim 1 be consolidated with this case and that its challenge to claim 15 be consolidated with CBM2015-00029. CBM2015-00029, filed by Apple, involves claims 3 and 15 of the '720 patent. A Final Written Decision in CBM2015-00029 is issued concurrently with this Decision.

Google's challenge to claim 1 of the '720 patent with this proceeding.[4] Paper 29; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 42 "Tr.").

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 and 2 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 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, 1:6–10. 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 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

[4] For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00028, and refer collectively to Apple and Google as "Petitioner."

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. 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 1:56–59. The '720 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 26:13–16 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . . .").

C. Challenged Claims

Petitioner challenges claims 1 and 2 of the '720 patent. Claim 1 is independent and claim 2 depends from claim 1. Claims 1 and 2 are repoduced below:

> 1. A method of controlling access to content data on a data carrier, the data carrier comprising non-volatile data memory storing content memory and non-volatile parameter memory storing use status data and use rules, the method comprising:
>
> receiving a data access request from a user for at least one content item of the content data stored in the non-volatile data memory;
>
> reading the use status data and use rules from the parameter memory that pertain to use of the at least one requested content item;
>
> evaluating the use status data using the use rules to determine whether access to the at least one requested content item stored in the content memory is permitted; and
>
> displaying to the user whether access is permitted for each of the at least one requested content item stored in the non-volatile data memory.

Id. at 26:17–36.

> 2. A method as claimed in claim 1 wherein said parameter memory further stores payment data and further comprising selecting one of said use rules dependent upon said payment data.

Id. at 26:36–39.

ANALYSIS

A. Claim Construction

Consistent with the statute and the legislative history of the AIA,[5] the Board interprets claim terms in an unexpired patent according to the broadest reasonable construction in light of the specification of the patent in which they appear. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–79 (Fed. Cir. 2015), *cert. granted sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (mem.) (2016); 37 C.F.R. § 42.100(b). Under that standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *See In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

For purposes of this Decision, we do not need to expressly construe any claim term.

B. Statutory Subject Matter

Petitioner challenges claims 1 and 2 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 25–38. Petitioner submits a

[5] Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) ("AIA").

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