

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 CBM2015-00028  
Patent 7,334,720 B2

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

ELLURU, *Administrative Patent Judge.*

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

## INTRODUCTION

### *A. Background*

Apple Inc. filed a Corrected Petition requesting covered business method patent review of claims 1 and 2 (the “challenged claims”) 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”).<sup>1</sup> Paper 5 (“Pet.”). Smartflash LLC filed a Preliminary Response (Paper 8, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, 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 Apple has demonstrated that it is more likely than not that the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1 and 2 of the ’720 patent.

### *B. Asserted Grounds*

Apple argues that the challenged claims are unpatentable based on the following grounds (Pet. 19):

References	Basis	Claims Challenged
Not Applicable	§ 101	1 and 2
Stefik <sup>2</sup> and Ahmad <sup>3</sup>	§ 103	1
Stefik, Ahmad, and Kopp <sup>4</sup>	§ 103	1
Stefik, Ahmad, and Maari <sup>5</sup>	§ 103	1

<sup>1</sup> Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

<sup>2</sup> 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”).

<sup>3</sup> U.S. Patent No. 5,925,127 (Ex. 1203) (“Ahmad”).

<sup>4</sup> U.S. Patent No. 5,940,805 (Ex. 1204) (“Kopp”).

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

*C. Related Matters*

The parties indicate that the '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 18; Paper 6, 3. Smartflash also indicates that the '720 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 '720 Patent: CBM2014-00104 and CBM2014-00105. A covered business method patent review was denied in both cases. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00104, slip op. at 20 (PTAB Sept. 30, 2014) (Paper 9); *Apple Inc. v. Smartflash LLC*, Case CBM2014-00105, slip op. at 21 (PTAB Sept. 30, 2014) (Paper 9). Several related patents, which claim priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, CBM2014-00112, CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, filed by Apple. The '720 patent also is the subject of CBM2014-00190, filed by another Petitioner.

Apple filed a concurrent Petition for covered business method patent review of the '720 patent: CBM2015-00029. In addition, Apple concurrently filed three other Petitions for covered business patent review

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<sup>5</sup> JP Patent Application Publication No. H10-269289 (including translation), published October 9, 1998 (Ex. 1228) (“Maari”).

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challenging claims of other patents owned by Smartflash, which disclose similar subject matter: CBM2015-00031, CBM2015-00032, and CBM2015-00033.

*D. 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. 1001, 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.

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.”).

*E. Illustrative Claim*

As noted above, Apple challenges claims 1 and 2. Claim 1 is independent and claim 2 depends from claim 1. Claim 1 is illustrative of the claimed subject matter and is reproduced 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.

## ANALYSIS

*A. Claim Construction*

While Apple presents constructions for several claim terms, no terms require 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

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