

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029
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*.

DECISION

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

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition (Paper 5, “Pet.”) requesting covered business method patent review of claims 3 and 13–15 (the “challenged claims”) of U.S. Patent No. 7,334,720 B2 (Ex. 1301, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response (Paper 8, “Prelim. Resp.”).

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 ’720 patent is a covered business method patent and that Apple 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 claims 3 and 15. We decline to institute a covered business method patent review of claims 13 and 14.

B. Asserted Grounds

Apple argues that the challenged claims are unpatentable based on the following grounds (Pet. 14–15):

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

References	Basis
Not Applicable	§ 101
Stefik, ² Poggio, ³ and Kopp ⁴	§ 103
Stefik, Poggio, Kopp, and Smith ⁵	§ 103

Apple also provides a Declaration from Anthony J. Wechselberger.
Ex. 1319.

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. 13; 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,

² U.S. Patent No. 5,530,235 issued June 25, 1996 (Ex. 1312) (“Stefik ’235”), and U.S. Patent No. 5,629,980 issued May 13, 1997 (Ex. 1313) (“Stefik ’980”) (collectively, “Stefik”).

³ European Patent Application, Publication No. EP 0 809 221 A2 published Nov. 26, 1997 (Ex. 1315) (“Poggio”).

⁴ U.S. Patent No. 5,940,805 issued Aug. 17, 1999 (Ex. 1304) (“Kopp”).

⁵ International Publication No. WO 95/34857 published Dec. 21, 1995 (Ex. 1327) (“Smith”).

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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: CBM2015-00028. In addition, Apple concurrently filed three other Petitions for covered business method patent review 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. 1301, 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 Claims

Apple challenges claims 3 and 13–15 of the '720 patent. Claims 3 and 14 are independent, and claims 13 and 15 depend from these claims, respectively. Claims 3 and 14 are illustrative of the claimed subject matter and recite the following:

3. 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; and
 - a processor coupled to the first interface, the data carrier interface, and 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;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
 - code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access

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