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Paper 45
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00193[1]
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge*.

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

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[1] CBM2015-00120 (Patent 8,061,598 B2) was consolidated with this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC ("Samsung"),[2] filed a Corrected Petition to institute covered business method patent review of claim 7 (the "challenged claim") of U.S. Patent No. 8,061,598 B2 (Ex. 1001, "the '598 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet."). On April 2, 2015, we instituted a covered business method patent review (Paper 7, "Institution Decision" or "Inst. Dec.") based upon Samsung's assertion that claim 7 ("the challenged claim") is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. ("Apple") filed a Petition to institute covered business method patent review of the same claim of the '598 patent based on the same ground. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00120 (Paper 2, "Apple Pet."). Apple simultaneously filed a "Motion for Joinder" of its newly filed case with Samsung's previously instituted case. CBM2015-00120 (Paper 3, "Apple Mot."). On August 6, 2015, we granted Apple's Petition and consolidated the two proceedings.[3] Paper 29; *Apple Inc. v. Smartflash* LLC, Case CBM2015-00120, (Paper 13).

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[2] Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

[3] For purposes of this decision, we will cite only to Samsung's Petition.

Subsequent to institution, Smartflash LLC ("Patent Owner") filed a Patent Owner Response (Paper 20, "PO Resp.") and Petitioner filed a Reply (Paper 31, "Pet. Reply") to Patent Owner's Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 ("Tr.").

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 claim 7 of the '598 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining claim 26 of the '598 patent unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, (PTAB Sept. 25, 2015) (Paper 50).

C. 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. 1001, 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 with less fear of piracy. *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 the 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 . . . .").

D. Challenged Claim

Petitioner[4] challenges claim 7 of the '598 patent. Claim 7 depends from claim 1, which is not explicitly challenged in this proceeding. Claims 1 and 7 recite 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.

[4] We refer to Samsung and Apple collectively as "Petitioner."

Ex. 1001, 25:54–67.

> 7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.

Id. at 26:25–28.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 7 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 20–32. According to Petitioner, the challenged claim is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. in support of its Petition.[5] Ex. 1003. Patent Owner argues that the subject matter claimed

[5] In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3–4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

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