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 CBM2015-00123
Patent 8,033,458 B2

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

PLENZLER, *Administrative Patent Judge*.

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

INTRODUCTION

*A. Background*

Apple Inc. ("Petitioner"), filed a Petition to institute covered business method patent review of claims 2–5, 7, 9, and 12 of U.S. Patent No. 8,033,458 B2 (Ex. 1001, "the '458 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA").  Paper 2 ("Pet.").[1]  Smartflash LLC ("Patent Owner") filed a Preliminary Response.  Paper 5 ("Prelim. Resp."). On November 10, 2015, we instituted a covered business method patent review (Paper 7, "Institution Decision" or "Inst. Dec.") based upon Petitioner's assertion that claims 2–5, 7, 9, and 12 ("the challenged claims") are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claims 3–5 are indefinite under 35 U.S.C. § 112, second paragraph. Inst. Dec. 23.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, "PO Resp.") and Petitioner filed a Reply (Paper 21, "Pet. Reply") to Patent Owner's Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority.  Paper 28 ("Notice").  Petitioner filed a Response to Patent Owner's Notice.  Paper 29 ("Notice Resp.").

We held a joint hearing of this case and several other related cases on July 18, 2016.  Paper 30 ("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 2–5, 7, 9, and 12 of the '458

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

patent are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claims 3–5 of the '458 patent are indefinite under 35 U.S.C. § 112, second paragraph.

### B. Related Matters

The parties indicate that the '458 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC et al. v. Apple Inc.,* Case No. 6:15-cv-00145 (E.D. Tex.). Pet. 34; Paper 4, 4–5. The parties also indicate that the '458 patent is the subject of a number of other district court cases, to which Petitioner is not a party. Pet. 34; Paper 4, 4.

We have issued three previous Final Written Decisions in reviews challenging the '458 patent. In CBM2014-00106, we found claim 1 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00106, (PTAB Sept. 25, 2015) (Paper 52). In CBM2015-00016, we found claims 6, 8, and 10 unpatentable under 35 U.S.C. § 101 and claim 11 unpatentable under 35 U.S.C. § 112, second paragraph.[2] *Apple Inc. v. Smartflash LLC*, Case CBM2015-00016, (PTAB March 29, 2016) (Paper 56). In CBM2014-00192, we found claim 11 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., Samsung Telecommunications America, LLC, and Apple Inc. v. Smartflash LLC*, CBM2014-00192, (March 30, 2016) (Paper 45).

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[2] Trial was terminated with respect to the ground challenging claim 1 under 35 U.S.C. § 101 in view of our decision in CBM2014-00106 finding that claim unpatentable under 35 U.S.C. § 103.

### C. The '458 Patent

The '458 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 '458 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 without fear of data pirates. *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 a 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 '458 patent makes clear that the actual implementation of these components is not critical and they 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 Claims

The claims under review are claims 2–5, 7, 9, and 12 of the '458 patent. Inst. Dec. 23. Of the challenged claims, claims 3, 4, and 5 are independent. Claim 2 depends from independent claim 1 (held unpatentable under § 103 in CBM2014-00106). Claims 7, 9, and 12 depend from

independent claim 6 (held unpatentable under § 101 in CBM2015-00016).

Independent claims 3, 4, and 5 are illustrative and recite the following:

> 3.     A portable data carrier, comprising:
>
> an interface for reading and writing data from and to the carrier;
>
> non-volatile data memory, coupled to the interface, for storing data on the carrier;
>
> non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;
>
> a program store storing code implementable by a processor;
>
> a processor, coupled to the content data memory, the payment data memory, the interface and to the program store for implementing code in the program store;
>
> non-volatile use record memory, coupled to the processor, for storing a record of access made to the data memory and code to update the use record memory in response to external access made to the data memory; and
>
> non-volatile use rule memory, coupled to the processor, for storing data use rules, and wherein the code comprises code for storing at least one data item in the data memory and at least one corresponding use rule in the use rule memory and code to provide external access to the data item in accordance with the use rule, wherein the code further comprises code to output payment data from the payment data memory to the interface and code to provide external access to the data memory.

Ex. 1001, 26:10–35.

> 4.     A portable data carrier, comprising:
>
> an interface for reading and writing data from and to the carrier;
>
> non-volatile data memory, coupled to the interface, for storing data on the carrier;
>
> non-volatile payment data memory, coupled to the interface, for providing payment data to an external device;

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