

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00123
Patent 8,033,458 B2

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

PLENZLER, *Administrative Patent Judge.*

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. (“Apple”), filed a Petition requesting covered business method patent review of claims 2–5, 7, 9, and 12 (the “challenged claims”) of U.S. Patent No. 8,033,458 (Ex. 1001, “the ’458 patent”) (Paper 2, “Pet.”). On August 13, 2015, Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response (Paper 5, “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 Petitioner 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 2–5, 7, 9, and 12 of the ’458 patent.

B. Asserted Grounds

Petitioner argues that all of the challenged claims are unpatentable under 35 U.S.C. § 101, as being directed to patent-ineligible subject matter, and that claims 3–5 also are unpatentable under 35 U.S.C. § 112, ¶ 2 as indefinite. Pet. 41–75. Petitioner provides a declaration from John P.J. Kelly, Ph.D. to support its challenges. Ex. 1020 (“the Kelly Declaration”).

C. 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

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'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.

Petitioner previously filed four petitions for covered business method patent review of the '458 Patent: CBM2014-00106, CBM2014-00107 (consolidated with CBM2014-00106), CBM2015-00016, and CBM2015-00119. A final written decision has issued in CBM2015-00106, determining claim 1 of the '458 patent is unpatentable pursuant to § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00106, slip op. at 31 (PTAB Sept. 25, 2015) (Paper 52). Trial was instituted in CBM2015-00016 with respect to claims 1, 6, 8, and 10 based on challenges under 35 U.S.C. § 101, and with respect to claim 11 based on a challenge under 35 U.S.C. § 112, ¶ 2. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00016, slip op. at 26 (PTAB Apr. 10, 2015) (Paper 23). Trial was instituted in CBM2015-00119 with respect to claim 11 based on a challenge under 35 U.S.C. § 101, and that proceeding was consolidated with CBM2014-00192. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00119, slip op. at 6 (PTAB Aug. 6, 2015) (Paper 11).

D. 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 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.”).

E. Illustrative Claim

As noted above, Petitioner challenges claims 2–5, 7, 9, and 12. Claims 3, 4, and 5 are independent. Claim 2 depends from claim 1, and claims 7, 9, and 12 depend from claim 6. Claim 4 is illustrative of the claimed subject matter and is reproduced below:

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;
 - a program store storing code implementable by a processor; and
 - 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;

wherein the portable data carrier is configured for storing supplementary data in said data memory, and further comprising code to output the supplementary data from the interface in addition to the stored data, in response to an external request to read the data memory, and

wherein the code 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, 26:36–55.

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 '458 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). Petitioner proposes constructions for “payment data,” “supplementary data,” and “use rules data” (Pet. 38–40), and Patent Owner offers no proposed claim constructions. For purposes of this Decision, we determine that “payment data” is the only term requiring an express construction in order to conduct properly our analysis.¹

The term “payment data” is recited in claims 2–5. Petitioner asserts that “[f]or review purposes, [payment data] should be construed to mean

¹ Petitioner makes certain contentions regarding the definiteness of the term “supplementary data” in its discussion of claim construction (Pet. 40 n.17), but does not include this term in its challenges based on indefiniteness (*see id.* at 71–75).

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