

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 CBM2015-00127  
Patent 7,334,720 B2

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

ELLURU, *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 4–12 and 16–18 of U.S. Patent No. 7,334,720 B2 (Ex. 1001, “the ’720 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).<sup>1</sup> 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 4–12 and 16–18 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25.<sup>2</sup>

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

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

<sup>2</sup> Although Patent Owner argues that claim 17 is not indefinite, we did not institute a review of claim 17 on that basis. Inst. Dec. 25.

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preponderance of the evidence that claims 4–12 and 16–18 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

*B. Related Matters*

The '720 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.), and; *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 2, 35–36; Paper 4, 4–5.

We have issued three previous Final Written Decisions in reviews challenging the '720 patent. In CBM2015-00028<sup>3</sup>, we found claims 1 and 2 of the '720 to be unpatentable *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00028, (PTAB May 26, 2016) (Paper 44). In CBM2015-00029<sup>4</sup>, we found claims 3 and 15 of the '720 to be unpatentable. *Apple Inc. et. al v. Smartflash LLC*, Case CBM2015-00029, (PTAB May 26, 2016) (Paper 43). In CBM2014-00190<sup>5</sup>, we found claims 13 and 14 of the '720 to be unpatentable. *Samsung Electronics America, Inc. et. al v. Smartflash LLC*, Case CBM2014-00190, (May 26, 2016) (Paper 47).

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<sup>3</sup> The challenge to claim 1 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00028, Paper 29, 9–11.

<sup>4</sup> The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. CBM2015-00029, Paper 28, 9–11.

<sup>5</sup> CBM2015-00118 (U.S. Patent 7,334,720 B2) was consolidated with this proceeding. CBM2014-00190, Paper 31, 6–7.

*C. 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.”).

*D. Challenged Claims*

The claims under review are claims 4–12 and 16–18 of the '720 patent. Inst. Dec. 25. Of the challenged claims, claims 4–12 depend,

directly or indirectly, from independent claim 3 (held unpatentable under § 101 in CBM2015-00029). Claims 16–18 depend, directly or indirectly, from independent claim 14 (held unpatentable under § 101 in CBM2014-00190). 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 rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1001, 26:41–67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:
  - reading payment data from the data carrier;

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