

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00127
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
JEREMY M. PLENZLER, 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

Petitioner, Apple Inc. (“Apple”), filed a Petition (Paper 2, “Pet.”) to institute a covered business method patent review of claims 4–12 and 16–18 (“the challenged claims”) 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”).¹ Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response (Paper 5, “Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324(a), 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.”

After considering the Petition and Preliminary Response, we determine that the ’720 patent is a covered business method patent. We further determine that Apple has demonstrated that it is more likely than not that challenged claims 4–12 and 16–18 are unpatentable. Accordingly, we institute a covered business method review of claims 4–12 and 16–18 of the ’720 patent, as discussed below.

B. Asserted Ground

Apple contends that claims 4–12 and 16–18 are unpatentable under 35 U.S.C. § 101, as being directed to patent-ineligible subject matter, and that claim 17 also is unpatentable under 35 U.S.C. § 112, as indefinite. Pet. 1, 74. Apple provides a declaration from John P.J. Kelly, Ph.D. to support its challenges. Ex. 1019 (“the Kelly Declaration”).

¹ Pub. L. No. 112–29, 125 Stat. 284, 296–307 (2011).

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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. 6:15-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.

Apple previously has filed five petitions requesting covered business method patent review of the '720 patent: CBM2014-00104, CBM2014-00105, CBM2015-00028, CBM2015-00029, and CBM2015-00118. Pet. 36. We denied institution in CBM2014-00104 and CBM2014-00105. *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). Trial was instituted in CBM2015-00028 and CBM2015-00029. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00028, slip. op. at 18 (PTAB May 28, 2015) (Paper 11) (instituting covered business method patent review of claims 1 and 2 under 35 U.S.C. § 101); *Apple Inc. v. Smartflash LLC*, Case CBM2015-00029, slip. op. at 19 (PTAB May 28, 2015) (Paper 11) (instituting covered business method patent review of claims 3 and 15 under 35 U.S.C. § 101). Trial was instituted in CBM2015-00118 with respect to challenged claims 13 and 14 under 35 U.S.C. § 101, the proceeding was consolidated with CBM2014-00190, and CBM2015-00118 was terminated. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00118, slip. op. at 6–7 (PTAB Aug. 6, 2015) (Paper 11).

Apple and other Petitioners have filed additional petitions requesting covered business method patent reviews of related patents. *See* Pet. 36–37; Paper 4, 2–4.

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. 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.”).

E. Challenged Claims

Apple challenges claims 4–12 and 16–18 of the '720 patent. Claims 4–12 depend, directly or indirectly, from independent claim 3. Claims 16–18 depend, directly or indirectly, from independent claim 14.

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:

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