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Paper 9
Entered: November 16, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00130
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge*.

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

INTRODUCTION

A. *Background*

Petitioner, Apple Inc., filed a Petition to institute covered business method patent review of claims 3–10, 12–31, and 33 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, "the '221 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet.").[1] Patent Owner, Smartflash LLC, filed a Preliminary Response. Paper 7 ("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 '221 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. We further determine that Apple is estopped from challenging claims 12–14 in this proceeding. Accordingly, we institute a covered business method patent review of claims 3–10, 15–31, and 33 (the "challenged claims"), but not of claims 12–14 of the '221 patent, as discussed below.

B. *Asserted Ground*

Petitioner contends that claims 3–10, 12–31, and 33 are unpatentable under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter. Pet. 1. Petitioner also argues that that claims 6, 22, and 29 are also unpatentable under 35 U.S.C. § 112, ¶ 2 as indefinite. *Id*. at 76–79.

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

Petitioner provides a declaration from John P.J. Kelly, Ph.D. to support its challenges. Ex. 1021 ("the Kelly Declaration").

C. *Related Matters*

The '221 patent is the subject of several co-pending district court cases in the Eastern District of Texas. Pet. 32–33; Paper 6, 4–5. The '221 patent has also been challenged in several other petitions for covered business method patent review: CBM2014-00102; CBM2014-00103 (consolidated with CBM2014-00102); CBM2014-00194; CBM2014-00199; CBM2015-00015; CBM2015-00117; and CBM2015-00126.

Patents in the family of the '221 patent are currently the subject of many other proceedings at the Office. *See* Paper 6, 2–4.

D. *The '221 Patent*

The '221 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 1:29–56. The '221 patent describes providing portable data storage together with a means for restricting 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 data 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 2:1–4. The '221 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 25:41–44 ("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*

Petitioner challenges claims 3–10, 12–31, and 33 of the '221 patent. Claims 1, 12, 17, 24, 28, and 32 are independent. Claims 3–10 depend, directly or indirectly, from claim 1. Claims 13–16 depend, directly or indirectly, from claim 12. Claims 18–23 depend, directly or indirectly, from claim 17. Claims 25–27 depend, directly or indirectly, from claim 24. Claims 29–31 depend, directly or indirectly, from claim 28. Claim 33 incorporates portions of claim 32. Claim 12 is illustrative of the claimed subject matter and is reproduced below:

> 12. A method of providing data from a data supplier to a data carrier, the method comprising:
>
> reading payment data from the data carrier;
>
> forwarding the payment data to a payment validation system;
>
> retrieving data from the data supplier; and
>
> writing the retrieved data into the dat[a] carrier.

Id. at 26:43–48.

ANALYSIS

A. *Estoppel*

35 U.S.C. § 325(e)(1) mandates that:

> The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a) or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

We issued a final written decision in CBM2014-00102 (with which CBM2014-00103 was consolidated), determining that claims 12–14 of the '221 patent are unpatentable pursuant to 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, slip op. at 43 (PTAB Sept. 25, 2015) (Paper 52). Apple was the petitioner in CBM2014-00102, which resulted in a final written decision with respect to claims 12–14. Thus, pursuant to § 325(e)(1), Apple cannot "request or maintain" a proceeding before the Office with respect to these claims "on any ground" that Apple "raised or reasonably could have raised" during CBM2014-00102.

Apple is estopped from maintaining this proceeding with respect to claims 12–14, which it challenges based on § 101. The Supreme Court issued its decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) after Apple filed its petition in CBM2014-00102. Section 325(e)(1), however, does not make exceptions for intervening case law that clarifies jurisprudence. Moreover, although *Alice* was not decided, the Supreme Court had already decided *Bilski* and *Mayo* on which *Alice* relied, and a number of Federal Circuit cases had already issued finding computer-based method claims invalid under § 101. *See, e.g.*, *Accenture Global Servs. GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336 (Fed. Cir. 2013); *Bancorp Servs, LLC v. Sun Life Asur. Co.*, 687 F.3d 1266 (Fed. Cir. 2012); *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Cybersource*

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