UNITED STATES PATENT AND TRADEMARK OFFICE

———————

BEFORE THE PATENT TRIAL AND APPEAL BOARD

———————

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

———————

Case CBM2015-00131
Patent 8,061,598 B2

———————

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

CLEMENTS, *Administrative Patent Judge.*

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. ("Petitioner"), filed a Petition to institute covered business method patent review of claims 3–6, 8–14, 16–30, and 32–41 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, "the '598 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 1 ("Pet.").[1] Smartflash LLC ("Patent Owner") filed a Preliminary Response. Paper 6 ("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 '598 patent is a covered business method patent. We further determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. We further determine that Apple is estopped from challenging claim 26 in this proceeding. Accordingly, we institute a covered business method patent review of claims 3–6, 8–14, 16–25, 27–30, and 32–41 (the "challenged claims"), but not of claim 26 of the '598 patent, as discussed below.

B. Asserted Ground

Petitioner contends that claims 3–6, 8–14, 16–30, and 32–41 are unpatentable under 35 U.S.C. § 101 as being directed to patent-ineligible

---

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

subject matter. Pet. 1. Petitioner provides a declaration from John P.J. Kelly, Ph.D. to support its challenges. Ex. 1019 ("the Kelly Declaration").

C. Related Matters

The parties indicate that the '598 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 Electronics Co. Ltd.*, 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. 37; Paper 5, 4–5.

Petitioner previously has filed three petitions requesting covered business method patent review of the '598 patent: CBM2014-00108; CBM2014-00109 (consolidated with CBM2014-00108); and CBM2015-00017. Pet. 37. A final written decision has issued in CBM2015-00108, determining claim 26 of the '598 patent is unpatentable pursuant to 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, slip op. at 25 (PTAB Sept. 25, 2015) (Paper 50). Trial was instituted in CBM2015-00017 with respect to claims 1, 2, 15, and 31 under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00017, slip op. at 20 (PTAB Apr. 10, 2015) (Paper 22).

Apple and other Petitioners have filed additional petitions requesting covered business method patent reviews of related patents. *See* Pet. 38; Paper 5, 2–4.

D. The '598 Patent

The '598 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 '598 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 '598 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 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

Petitioner challenges claims 3–6, 8–14, 16–30, and 32–41 of the '598 patent. Claims 18, 21, 26, 27, 29, 35, 39, 40, and 41 are independent. Claims 3–6, 8–14, 16, and 17 depend directly or indirectly from claim 1. Claims 19 and 20 depend from claim 18. Claims 22–25 depend directly or indirectly from claim 21. Claim 28 depends from claim 27. Claim 30 depends from claim 29. Claims 32–34 depend directly or indirectly from

claim 31. Claims 36–38 depend from claim 35. Claim 8 is illustrative of the claimed subject matter and is reproduced below:

> 1. A portable data carrier comprising:
>
> an interface for reading and writing data from and to the portable data carrier;
>
> content data memory, coupled to the interface, for storing one or more content data items on the carrier;
>
> use rule memory to store one or more use rules for said one or more content data items;
>
> a program store storing code implementable by a processor; and
>
> a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,
>
> wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1001, 25:54–67.

> 7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.

Ex. 1001, 26:25–28.

> 8. A portable data carrier as claimed in claim 7, wherein code to provide payment to the payment validation system comprises code to provide the identification data identifying the user of the portable data carrier to the payment validation system.

Ex. 1001, 26:29–33.

ANALYSIS

A. *Estoppel*

35 U.S.C. § 325(e)(1) mandates that

> [t]he 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

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.