UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC. and GOOGLE, INC.,

Petitioner,

v.

SMARTFLASH LLC,

Patent Owner.

Case CBM2015-00133[1]

Patent 8,336,772 B2

PATENT OWNER'S NOTICE OF SUPPLEMENTAL AUTHORITY

[1] The challenge to claims 9 and 21 based on 35 U.S.C. § 101 in CBM2015-00132 has been consolidated with this proceeding.

Two recent Federal Circuit decisions clarify the analysis required under step one and step two of *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), confirming that, whether the Board's focus is on step one or step two of *Alice*, Petitioner cannot establish that the challenged claims of the patents at issue are ineligible for patent protection under 35 U.S.C. § 101.

1. *Enfish, LLC v. Microsoft Corp.*, ___ F.3d ___, 2016 WL 2756255, No. 2015-1244 (Fed. Cir. May 12, 2016), makes clear that the challenged Smartflash claims are not "directed to" an abstract idea but instead are "directed to an improvement to computer functionality" relating to devices, systems, and methods for purchasing, downloading, storing, and accessing content data securely and are thus patent-eligible. 2016 WL 2756255, at *5. In *Enfish*, the district court held that all of the asserted claims, which involved a "self-referential" database, were "directed to the abstract idea of 'storing, organizing, and retrieving memory in a logical table' or, more simply, 'the concept of organizing information using tabular formats.'" *Id.* at *6. The Federal Circuit reversed, explaining that the district court erred by describing the claims at too high a "level of abstraction and untethered from the language of the claims," which "all but ensures that the exceptions to § 101 swallow the rule." *Id.*

The Court explained that the "directed to" inquiry mandated by the first step of *Alice* "cannot simply ask whether the claims *involve* a patent-ineligible

concept." *Id.* at *4. The Court held that "improvements in computer-related technology" – whether involving hardware or software – are not necessarily directed to an abstract idea; rather, "the first step . . . asks whether the focus of the claims is on the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool." *Id.* at *5.

Under *Enfish*, the challenged claims are not directed to an abstract idea but to specific devices, systems, and methods for managing data to facilitate convenient and secure provision of digital content. Just as the self-referential database was "a specific type of data structure designed to improve the way a computer stores and retrieves data in memory," 2016 WL 2756255, at *6, so too the patents at issue are directed to specific organization of data and defined sequences of transaction steps with distinct advantages over alternatives. For example, Claim 1 of the '516 patent (at issue in CBM2015-00121) describes a handheld multimedia terminal including, among other elements, non-volatile memory storing content data; code to request identifier data related to multimedia content available from non-volatile memory; code to receive a user selection; code responsive to the selection to transmit payment data for validation wherein the payment data comprises user identification data; and code to control access to content data responsive to said payment validation data. CBM2015-00121, Ex.

1001 25:65-26:45. This scheme – which controls access to data already stored in non-volatile memory through use of payment validation data – is not fairly captured by the reductive "abstract idea" Petitioner posits.

Rather than add "general-purpose computer components" to "a fundamental economic practice," the challenged claims, like those in *Enfish*, "are directed to a *specific implementation of a solution* to a problem" in Internet digital commerce. 2016 WL 2756255, at *8 (emphasis added). Smartflash's claims are not "simply directed to *any* form" of controlling access to content data based on payment, *id.*, but claim-defined hardware components and software elements that interact with particular systems and carry out their functions in a specific manner. They are patent-eligible under *Alice* step one.

2. *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, ___ F.3d ___, 2016 WL 3514158, No. 2015-1763 (Fed. Cir. June 27, 2016) confirms that the claims contain an "inventive concept" and that "an inventive concept can be found in the non-conventional and non-generic arrangement of known, conventional pieces." 2016 WL 3514158, at *6; *see also Rapid Litigation Management Ltd. V. Cellzdirect, Inc.*, ___ F.3d ___, 2016 WL 3606624, at *6, No. 2015-1570 (Fed. Cir. July 5, 2016).

The claims in *BASCOM* involved a system for filtering Internet content. The system could be located on a remote ISP server and customized to individual

subscribers' accounts by associating each network account with one or more filtering schemes and filtering elements. *See* 2016 WL 3514158, at *3. The district court found that the claims "were directed to the abstract idea of 'filtering content.'" *Id.* at *4. The Federal Circuit reversed. It found that although it was a "close call[] about how to characterize what the claims are directed to" at step one of *Alice*, it concluded at step two that the claims did not "merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components." *Id.* at *6-*7. The patent claimed "installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user." *Id.* at *6. That design provided specific benefits over alternatives; it was not "conventional or generic." *Id.*

The *Alice* step-two analysis in *BASCOM* applies to the Smartflash claims. Even on the premise that the claims are directed to an abstract idea ("controlling access based on payment" in one of Petitioner's formulations), they do not "merely recite [that] abstract idea" nor do they "preempt all ways" of paying for and controlling access to digital content. *Id.* at *7. On the contrary, the claims "recite a specific, discrete implementation" – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content. *Id*. In *BASCOM*, locating a filtering system on an ISP server was conventional, as was customizing a filtering scheme for an individual user. *See Id.* at *6.

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