

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00133
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
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 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 of U.S. Patent No. 8,336,772 B2 (Ex. 1001, “the ’772 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) 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 ’772 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. Accordingly, we institute a covered business method patent review of claims 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 (the “challenged claims”) of the ’772 patent, as discussed below.

B. Asserted Ground

Petitioner contends that claims 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 are unpatentable under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter. Pet. 1. Petitioner provides a

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

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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 ’772 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. 34; Paper 4, 4

Petitioner previously has filed five petitions requesting covered business method patent review of the ’772 patent: CBM2014-00110 (institution denied); CBM2014-00111 (institution denied); CBM2014-00031; CBM2014-00032; and CBM2015-00033. Pet. 35. No final written decision has issued in any of those proceedings. Trial was instituted in CBM2015-00031 with respect to claims 1, 5, 8, and 10 under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00031, slip op. at 19 (PTAB May 28, 2015) (Paper 11). Trial was instituted in CBM2015-00032 with respect to claims 14, 19, and 22 under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00031, slip op. at 18 (PTAB May 28, 2015) (Paper 11). Trial was instituted in CBM2015-00033 with respect to claims 25, 26, 30, and 32 under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00031, slip op. at 19 (PTAB May 28, 2015) (Paper 11).

Apple and other petitioners have filed additional petitions requesting covered business method patent reviews of related patents. *See* Pet. 35; Paper 4, 2–4.

D. The '772 patent

The '772 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, 1:24–28. 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 1:32–58. The '772 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. 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 2:4–7. The '772 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 25:59–62 (“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 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 of the '772 patent. Claims 35 and 36 are independent. Claims 2–4, 6, and 7 depend directly from claim 1. Claims 9 and 11–13 depend directly from claim 8. Claims 15–18 depend directly from claim 14.

Claims 20, 21, 23, and 24 depend directly from claim 19. Claims 27–29 depend directly or indirectly from claim 25. Claims 31, 33, and 34 depend directly from claim 30. Claim 12 is illustrative of the claimed subject matter and is reproduced below:

8. A data access terminal for controlling access to one or more content data items stored on a data carrier, the data access terminal comprising:

- a user interface;
- a data carrier interface;
- a program store storing code implementable by a processor; and
- a processor coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:

- code to request identifier data identifying one or more content data items stored on the data carrier;

- code to receive said identifier data;

- code to present to a user via said user interface said identified one or more content data items available from the data carrier;

- code to receive a user selection selecting at least one of said one or more of said stored content data items;

- code responsive to said user selection of said selected content data item to transmit payment data relating to payment for said selected content item for validation by a payment validation system;

- code to receive payment validation data defining if said payment validation system has validated payment for said content data item; and

- code to control access to said selected content data item responsive to the payment validation data.

Ex. 1001, 27:15–41

12. A data access terminal as claimed in claim 8, wherein the content data item comprises additional content data for another stored content data item.

Id. at 27:50–52.

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