NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

SMARTFLASH LLC, SMARTFLASH TECHNOLOGIES LIMITED,
Plaintiffs-Appellees

v.

APPLE INC.,
Defendant-Appellant

2016-1059

Appeal from the United States District Court for the Eastern District of Texas in No. 6:13-cv-00447-JRG, Judge J. Rodney Gilstrap.

Decided: March 1, 2017

AARON MARTIN PANNER, Kellogg, Huber, Hansen, Todd, Evans & Figel, PLLC, Washington, DC, argued for plaintiffs-appellees. Also represented by NICHOLAS O. HUNTER; JOHN AUSTIN CURRY, JASON DODD CASSADY, BRADLEY WAYNE CALDWELL, JOHN FRANKLIN SUMMERS, HAMAD M. HAMAD, Caldwell Cassady & Curry, Dallas, TX.

MARK ANDREW PERRY, Gibson, Dunn & Crutcher LLP, Washington, DC, argued for defendant-appellant. Also

represented by BRIAN BUROKER; HERVEY MARK LYON, Palo Alto, CA; BLAINE H. EVANSON, JENNIFER RHO, Los Angeles, CA; BRETT ROSENTHAL, Dallas, TX; JAMES RICHARD BATCHELDER, Ropes & Gray LLP, East Palo Alto, CA; DOUGLAS HALLWARD-DRIEMEIER, Washington, DC; KEVIN JOHN POST, New York, NY.

Before PROST, *Chief Judge,* NEWMAN and LOURIE, *Circuit Judges.*

PROST, *Chief Judge*.

Apple Inc. ("Apple") appeals from the district court's denial of Apple's motion for judgment as a matter of law ("JMOL") seeking to invalidate three Smartflash LLC ("Smartflash") patents for being patent-ineligible under 35 U.S.C. § 101. Apple further appeals a jury verdict of patent validity and infringement. Because we find that the asserted claims recite patent-ineligible subject matter under § 101, we reverse.

I

Smartflash asserted the following claims from three patents in district court: claim 13 of U.S. Patent No. 7,334,720 ("'720 patent"); claim 32 of U.S. Patent No. 8,118,221 ("'221 patent"); and claims 26 and 32 of U.S. Patent No. 8,336,772 ("'772 patent") (collectively, "the asserted claims").[1] The three patents-in-suit, entitled "Data Storage and Access Systems," generally "relate[] to a portable data carrier for storing and paying for data and

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[1] The '772 patent is a continuation of the '221 patent which is a continuation of U.S. Patent No. 7,942,317, which is a continuation of the '720 patent. All four patents share the same specification. For simplicity, all citations herein are to the '720 patent unless stated otherwise.

to computer systems for providing access to data to be stored." '720 patent col. 1 ll. 6–8.

According to the specification, at the time of the invention, there was a "growing prevalence of so-called data pirates" who "obtain[ed] data either by unauthorized or legitimate means and then ma[d]e this data available essentially world-wide over the internet without authorization." *Id.* at col. 1 ll. 15–19. The patents sought to address this problem by purportedly inventing systems comprising data carriers, or "terminals," that could receive and validate payments from users and then retrieve and provide data, such as audio, video, text, and software over the Internet. *See id.* at col. 1 ll. 45–55. Figure 6 of the '720 patent, shown below, illustrates one such system:

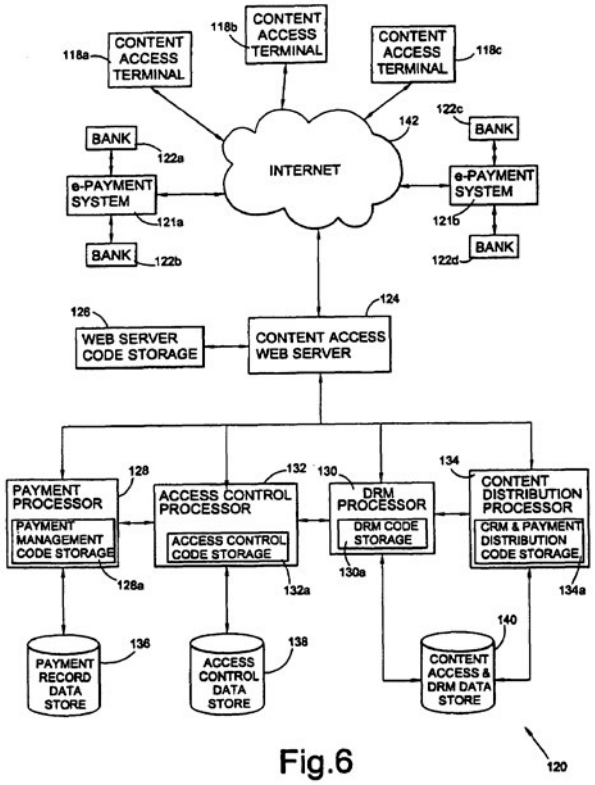

Fig.6

In this system, users employ content access terminals 118, including, for example, personal computers, to request content such as audio or video content and provide payment information such as credit card or bank account information. The payment information is validated by e-payment systems 121 and banks 122. After the payment is validated, the requested content is provided to the content access terminal 118 by a content access web server 124.

Independent claim 3 of the '720 patent, from which asserted Claim 13 depends, claims "[a] data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier." *Id.* at col. 26 ll. 41–43. The claimed terminal further comprises interfaces for communicating with the data supplier and the data carrier, and a "processor coupled to . . . the data carrier." *Id.* at col. 26 ll. 44–50. The processor implements

> 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.

Id. at col. 26 ll. 51–67. Asserted dependent claim 13 further recites "[a] data access terminal according to claim 3 integrated with a mobile communication device, a personal computer, an audio/video player, and/or a cable or satellite television interface device." *Id.* at col. 28 ll. 1–4.

Asserted claim 32 of the '221 patent is identical to claim 3 of the '720 patent except that claim 32 further recites "code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier." '221 patent col. 28 ll. 23–50.

Independent claim 25 of the '772 patent, from which asserted claim 26 depends, claims a "handheld multimedia terminal for retrieving and accessing protected multimedia content." '772 patent col. 29 ll. 40–41. The claimed "handheld terminal" comprises wireless and user interfaces, memory, display, and a processor. *Id.* at col. 29 ll. 41–54. The terminal comprises code to

> request and receive "multimedia content available for retrieving;"
>
> request, receive, and present "content information compris[ing] one or more of description data and cost data pertaining to . . . [the] multimedia content;"
>
> receive user selection of available multimedia content and respond by "transmit[ting] payment data . . . for validation by a payment validation system;"
>
> receive and respond to payment validation data by "writ[ing] said retrieved . . . multimedia content into . . . [the] memory" and "receiv[ing] . . . user selection . . . [of] one or more items of retrieved multimedia content;"

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