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Paper 46
Entered: March 30, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017
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.*

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

INTRODUCTION

A. Background

Apple Inc. ("Petitioner"), filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, "the '598 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 9 ("Pet."). We instituted a covered business method patent review (Paper 22, "Institution Decision" or "Inst. Dec.") based upon Petitioner's assertion that claims 1, 2, 15, and 31 ("the challenged claims") are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC ("Patent Owner") filed a Patent Owner Response (Paper 32, "PO Resp.") and Petitioner filed a Reply (Paper 34, "Pet. Reply") to Patent Owner's Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 44 ("Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 2, 15, and 31 of the '598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

The '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D.

Tex. 2014); *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Paper 43, 4–5.

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining that claim 26 is unpatentable under 35 U.S.C. § 103. CBM2014-00108, Paper 50.

We also concurrently issue a Final Written Decision in CBM2014-00193 finding that claim 7 of the '598 patent is directed to patent-ineligible subject matter under 35 U.S.C. § 101.

C. 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. 1201, 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.").

D. Challenged Claims

The claims under review are claims 1, 2, 15, and 31 of the '598 patent. Claims 1 and 31 are independent, and claims 2 and 15 depend from claim 1. Claims 1 and 31 recite the following:

> 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. 1201, 25:54–67.

> 31. A method of controlling access to content data, the method comprising:
>
> receiving a data access request from a user for a content data item, reading the use status data and one or more use rules from parameter memory that pertain to use of the requested content data item;

> evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and
>
> enabling access to the content data item responsive to a determination that access to the content data item is permitted.

Id. at 28:18–30.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '598 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26–38. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Patent Owner argues that the challenged claims are statutory because they are "rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks," that of "data content piracy." PO Resp. 1.

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