

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.*

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

INTRODUCTION

A. Background

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.”). On November 16, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 3–6, 8–14, 16–25, 27–30, and 32–41 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 23. Because a final written decision determining claim 26 of the ’598 patent to be unpatentable under § 103 had already issued in CBM2014-00108, we declined to institute a review of claim 26 under § 101 in this case. *Id.* at 5–7.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 18, “PO Resp.”) and Petitioner filed a Reply (Paper 23, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 30 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 31 (“Notice Resp.”).

We held a joint hearing of this case and several other related cases on July 18, 2016. Paper 32 (“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.

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

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For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3–6, 8–14, 16–25, 27–30, and 32–41 of the '598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

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.

We have issued three previous Final Written Decisions in reviews challenging the '598 patent. In CBM2014-00108, we found claim 26 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, (PTAB Sept. 25, 2015) (Paper 50). In CBM2014-00193, we found claim 7 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2014-00193, (March 30, 2016) (Paper 45). In CBM2015-00017, we found claims 1, 2, 15, and 31 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, CBM2015-00017, (March 30, 2016) (Paper 46).

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. 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.”).

D. Challenged Claims

The claims under review are claims 3–6, 8–14, 16–25, 27–30, and 32–41 of the '598 patent. Inst. Dec. 23. Of the challenged claims, claims 21, 27, 29, 35, 39, 40, and 41 are independent. Claims 3–6, 8–14 and 16–20 depend from independent claim 1 (held unpatentable under § 101 in CBM2015-00017). Claims 22–25 depend from independent claim 21. Claim 28 depends from independent claim 27. Claim 30 depends from independent claim 29. Claims 32–34 depend, directly or indirectly, from independent claim 31 (held unpatentable under § 101 in CBM2015-00017). Claims 36–38 depend from independent claim 35. Independent claims 21 and 35 are illustrative and recite the following:

21. A portable data carrier comprising:
- use rule memory to store one or more use rules for a content data item;
 - an interface for reading and writing the one or more use rules from and to the portable data carrier;
 - a program store storing code implementable by a processor; and
 - a processor coupled to [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 and accessing the one or more use rules in the use rule memory.

Ex. 1001, 27:17–29.

35. A method of controlling access to content data using a data carrier, the data carrier comprising:
- use rule memory to store one or more use rules for a content data item and use status data;
- the method comprising:
- receiving a data access request from a user for the content data item,
 - reading the use status data and one or more use rules from the data carrier 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.

Ex. 1001, 28:43–59.

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