

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00112
Case CBM2014-00113
Patent 7,942,317 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, NEIL T. POWELL,
JEREMY M. PLENZLER, and MATTHEW R. CLEMENTS,
Administrative Patent Judges.

ELLURU, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

INTRODUCTION

A. Background

Petitioner, Apple Inc. (“Apple”), filed two Petitions to institute covered business method patent review of claims 1, 6–8, 12–14, 16, and 18 (“the challenged claims”) of U.S. Patent No. 7,942,317 B2 (Ex. 1001, “the ’317 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). CBM2014-00112 (Paper 2, “112 Pet.”) and CBM2014-00113 (Paper 2, “113 Pet.”). Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response in each of the two cases: CBM2014-00112 (Paper 6, “112 Prelim. Resp.”) and CBM2014-00113 (Paper 6, “113 Prelim. Resp.”).¹

We have jurisdiction under 35 U.S.C. § 324, 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.”

B. Asserted Grounds

Apple contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (112 Pet. 16; 28–77; 113 Pet. 40–78).

¹ Patent Owner argues that the multiple petitions filed against the ’317 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. 112 Prelim. Resp. 10–11; 113 Prelim. Resp. 10–11. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of the 112 and the 113 Petitions is within that requirement.

References ²	Basis	Claims Challenged
CBM2014-00112		
Stefik '235 ³ and Stefik '980 ⁴	§ 102 ⁵	1, 6–8, 12–14, 16, and 18
Stefik '235 and Stefik '980	§ 103	1, 6–8, 12–14, 16, and 18
Stefik '235, Stefik '980, and Poggio ⁶	§ 103	1, 6–8, 12–14, 16, and 18
CBM2014-00113		
Ginter ⁷	§ 103	1, 6–8, 12–14, 16, and 18
Ginter and Poggio	§ 103	1, 6–8, 12–14, 16, and 18
Ginter, Stefik '235, and Stefik '980	§ 103	12–14

² Exhibits with numbers 1001–1029 were filed in CBM2014-00112 and those with numbers 1101–1129 were filed in CBM2014-00113. For purposes of this decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00112.

³ U.S. Patent No. 5,530,235 (June 25, 1996) (Ex. 1013, “Stefik '235”).

⁴ U.S. Patent No. 5,629,980 (May 13, 1997) (Ex. 1014, “Stefik '980”).

⁵ Petitioner refers to Stefik '235 and Stefik '980 collectively as “Stefik” and argues that they should be considered as a single reference for anticipation purposes because, according to Petitioner, Stefik '235 incorporates Stefik '980 by reference. 112 Pet. 20–21, n.12. Patent Owner disagrees. 112 Prelim. Resp. 12–14. We do not reach this issue because even when considered as one reference, we determine that Stefik '235 and Stefik '980 do not teach all the recited claim limitations in the same form and order as listed in the claims.

⁶ European Patent Application, Publication No. EP0809221A2 (including translation), published November 26, 1997 (Ex. 1016, “Poggio”).

⁷ U.S. Patent No. 5,915,019 (June 22, 1999) (Ex. 1115, “Ginter”).

References ²	Basis	Claims Challenged
Ginter, Stefik '235, Stefik '980, and Poggio	§ 103	12–14
Ginter and Sato ⁸	§ 103	12–14

Petitioner also provides a declaration from Anthony J. Wechselberger (“the Wechselberger Declaration”).⁹ 112 Ex. 1021.

After considering the Petitions and Preliminary Responses, we determine that the '317 patent is a covered business method patent and that Apple has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Based on the information presented, we institute a covered business method patent review of claims 1, 6–8, 12–14, 16, and 18 of the '317 patent.

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '317 patent and identify the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.*, 112 Pet. 15–16; 112 Papers 4, 5. The parties also indicate that the '317 patent is the subject of a second case, to which Apple is not a party: *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.). *Id.*

⁸ JP Patent Application Publication No. H11-164058 (including translation), published June 18, 1999 (Ex. 1118, “Sato”).

⁹ On this record, we are not persuaded by Patent Owner’s argument that we should disregard the Wechselberger Declaration. *See* 112 Prelim. Resp. 17–20; 113 Prelim. Resp. 17–20. Patent Owner identifies purported omissions from the Declaration, but offers no evidence that Mr. Wechselberger used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field. *Id.*

CBM2014-00112 and CBM2014-00113
Patent 7,942,317 B2

In addition to the 112 and 113 Petitions, Apple filed ten other Petitions for covered business method patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter: CBM2014-00102; CBM2014-00103; CBM2014-00104; CBM2014-00105; CBM2014-00106; CBM2014-00107; CBM2014-00108; CBM2014-00109; CBM2014-00110; and CBM2014-00111.

D. The '317 Patent

The '317 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, 1:18–23. 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 1:38–51. The '317 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:55–2:3. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:3–11.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:55–63. 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 1:64–67. The '317 patent makes clear that the actual implementation of these components is not critical and 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.”).

E. Challenged Claims

Apple challenges claims 1, 6–8, 12–14, 16, and 18 of the ’317 patent. Claims 1, 8, 12, 16, and 18 are independent. Claims 6 and 7 depend from claim 1 and claims 13 and 14 depend from claim 12. Claims 1 and 8 are illustrative of the claims at issue and recite the following:

1. A computer system for providing data to a data requester, the system comprising:

a communication interface;

a data access data store for storing records of data items available from the system, each record comprising a data item description and a pointer to a data provider for the data item;

a program store storing code implementable by a processor;

a processor coupled to the communications interface, to the data access data store, and to the program store for implementing the stored code, the code comprising:

code to receive a request for a data item from the requester;

code to receive from the communications interface payment data comprising data relating to payment for the requested data item;

code responsive to the request and to the received payment data, to read data for the requested data item from a content provider; and

code to transmit the read data to the requester over the communications interface.

Ex. 1001, 25:55–26:8.

8. A method of providing data to a data requester comprising:

receiving a request for a data item from the requester;

receiving payment data from the requester relating to payment for the requested data;

reading the requested data from a content provider responsive to the received payment data; and

transmitting the read data to the requester.

Id. at 26:36–44.

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. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms of the '317 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 construe the claim term “use rule data,” as recited in dependent claim 14. Neither party proposed a construction for this term.

Dependent claim 14 recites “use rule data.” The '317 patent describes “use rule data” as “comprising a list of values (i.e. content data item prices) *and* corresponding levels of permitted usage. Ex. 1001, 14:66–15:1 (emphasis added). The '317 patent further explains that “[t]hus a value of £1 might permit ten plays of a music track, while the value of £10 might permit an unlimited number of plays of the track and copying of the track for personal use.” *Id.* at 15:1–4. Accordingly, for purposes of this decision, we construe “use rule data” as data for a rule specifying a condition under which access to content is permitted.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Apple asserts that “because claim 18 explicitly describes *receiving and responding to payment data*, as well as *outputting payment data*, it clearly relates to a financial activity and providing a financial service.” 112 Pet. 11; 113 Pet. 16. Based on this record, we agree with Apple that the subject matter recited by claim 18 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 18 recites “receiving payment data from the requester relating to payment for the requested data,” “reading payment distribution information from a data store,” and “outputting payment data to a payment system for distributing the payment for the requested data.” We are persuaded that “[r]eceiving payment data from the requester relating to payment for the requested data” and “reading payment distribution information from a data store” are financial activities and “outputting payment data to a payment system for

distributing the payment for the requested data” amounts to a financial service. This is consistent with the Specification of the ’317 patent, which confirms claim 18’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:19–20. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:55–63, 2:12–26, 3:22–30, 3:51–56, 7:59–8:6, 8:18–31.

Smartflash disagrees that claim 18 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. 112 Prelim. Resp. 3–7; 113 Prelim. Resp. 3–7. Smartflash cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase “financial product or service” in § 18(d)(1) is as limited as Smartflash proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Smartflash’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming

activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Smartflash asserts that claim 18 is not directed to an apparatus or method that is financial in nature because claim 18 “omits the specifics of how payment is made.” 112 Prelim. Resp. 7; 113 Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Smartflash point to any other authority that makes such a requirement. 112 Prelim. Resp. 8; 113 Prelim. Resp. 8. We determine that because payment is required by claim 18, as Smartflash acknowledges (*id.*), the financial-in-nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’317 patent includes at least one claim that meets the financial-in-nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Apple asserts that claim 18 does not fall within § 18(d)(1)’s exclusion for “technological inventions.” 112 Pet. 11–15; 113 Pet. 16–20. In particular, Apple argues that claim 18 “does not claim ‘subject matter as a whole [that] recites *a technological feature* that is novel and unobvious over the prior art[] and solves *a technical problem* using *a technical solution*.’” 112 Pet. 11; 113 Pet. 16–20 (quoting 37 C.F.R. § 42.301(b)). Smartflash disagrees and argues that claim 18, as a whole, recites at least one technological feature. 112 Prelim. Resp. 11; 113 Prelim. Resp. 17.

We are persuaded that claim 18 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim

18 recites a “payment system.” The Specification, however, discloses that the required payment system may be one that is already in use or otherwise commercially available. For example, the payment validation system “may be part of the data supplier’s computer systems or it may be a separate system such as an e-payment system.” Ex. 1001 8:18–22; *see also id.* at 8:60–63. Claim 18 also recites a “data store.” This component, however, is described as generic memory. 112 Pet. 12–13; 113 Pet 18. The Specification discloses, for instance, that “[t]he data storage means is based on a standard smart card.” Ex. 1001, 11:28–30; *see also id.* at 14:25–29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142.”), Fig. 6.

In addition, the ’317 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’317 patent states that “there is an urgent need to find a way to address the problem of data piracy” (*id.* at 1:50–51), while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Thus, we determine that claim 18 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Smartflash also argues that claim 18 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed towards

solving the technological problem of “transmitting requested data to a requester, e.g., as part of a convenient, legitimate acquisition of data from a data supplier” with the technological solution of a “data store, from which payment distribution information is read, in combination with a payment system.” 112 Prelim. Resp. 8–9; 113 Prelim. Resp. 8–9. We are not persuaded by this argument because, as Apple argues, the problem being solved by claim 18 is a business problem—data piracy. 112 Pet. 14; 113 Pet. 19. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:7–11. Therefore, based on the particular facts of this proceeding, we conclude that claim 18 does not recite a technological invention and is eligible for a covered business method patent review.

3. Conclusion

In view of the foregoing, we conclude that the ’317 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

C. Anticipation by Stefik ’235 and Stefik ’980

Stefik ’235 teaches a portable Document Card (“DocuCard”) for storing information in a digital form, storing usage rights for the information, processing user-initiated functions and requests to access documents stored therein, interfacing to external devices for reading and writing digital information, and allowing a user to directly interact with the DocuCard. Ex. 1013, 2:29–40, 7:35–42.

Stefik '980 teaches a “repository” for storing digital works, controlling access to digital works, billing for access to digital works and maintaining the security and integrity of the system. Ex. 1014, 6:57–61.

Petitioner asserts that claims 1, 6–8, 12–14, 16, and 18 are anticipated by Stefik '235 and Stefik '980. 112 Pet. 28–47. We are not persuaded that Petitioner has shown that every claim limitation, and sub part, of claims 1, 6–8, 12–14, 16, and 18 are set forth in the prior art in the same form and order as in the claim. *See In re Omeprazole Patent Litigation*, 483 F.3d 1364, 1373 (Fed. Cir. 2007); *Continental Can Co. v Monsanto Co.*, 948 F.2d 1264, 1267 (Fed. Cir. 1991).

Petitioner relies on the multiple repositories acting in different capacities described in Stefik '235 and Stefik '980, as disclosing several of the claim limitations of independent claims 1, 8, 12, 16, and 18. *See, e.g.*, 112 Pet. 28–47 (claim 1), 50 (claim 8, refers to claim 1 claim chart), 50–63 (claim 12), 68–73 (claim 16, refers to claim 1 claim chart), 73–77 (claim 18, refers to claim 1 claim chart). While Stefik '980 discloses repositories that may act in different capacities (*see, e.g.*, Ex. 1014, Abstract; Ex. 1014, 4:9–10 (“[a] repository has two primary operating modes, a server mode and a requester mode”)), Petitioner does not persuasively establish more likely than not that either Stefik '235 or Stefik '980 discloses a system of repositories that *is configured* in the exact form and order as in independent claims 1, 8, 12, 16, and 18. Rather, Petitioner argues Stefik teaches that the repositories described in Stefik '235 and '980 *may be configured* in the exact form and order as in independent claims 1, 8, 12, 16, and 18. *See, e.g.*, 112 Pet. 31 (“A DocuCard *can be* inserted into a PCMCIA slot of another repository or *can interface* with a second DocuCard.”) (emphasis added)

(citations omitted); Ex. 1013, 6:32–43 (“The repositories and rendering systems to which a DocuCard *may interface would fulfill* the functional requirements as defined in the aforementioned ‘System For Controlling The Distribution and Use of Digital Works’ application.”) (emphasis added).

Thus, Petitioner has failed to establish that it is more likely than not that it would prevail in demonstrating that independent claims 1, 8, 12, 16, and 18 are unpatentable as anticipated by the Stefik references. For the same reasons, we determine that Petitioner has failed to establish that it is more likely than not that it would prevail in demonstrating that dependent claims 6, 7, 13, and 14 are unpatentable as anticipated by the Stefik references.

D. Additional Grounds Based on Stefik ’235 and Stefik ’980

Petitioner asserts that claims 1, 6–8, 12–14, 16, and 18 would have been obvious over the Stefik references alone. 112 Pet. 25–77. Petitioner also contends that claims 1, 6–8, 12–14, 16, and 18 would have been obvious over Stefik and Poggio. *Id.* at 28–77. We find Petitioner’s contentions that claims 1, 6–8, 12, 13, 16, and 18 would have been obvious over the combination of Stefik ’235 and Stefik ’980 persuasive, but are not persuaded by Petitioner’s contentions regarding claim 14 for the reasons discussed below.

1. Claims 1, 6–8, 12, 13, 16, and 18

In light of the arguments and evidence, Petitioner has established that it is more likely than not that claims 1, 6–8, 12, 13, 16, and 18 would have been obvious over the combination of Stefik ’235 and Stefik ’980. *See id.* at 25–77.

We are not persuaded by Patent Owner’s argument that there is no evidence that one of ordinary skill in the art would have combined the teachings of the Stefik ’235 patent with the teachings of the Stefik ’980 patent because Patent Owner’s argument is based on an unproven premise that the Stefik ’235’s reference to the Stefik ’980 patent must uniquely identify the Stefik ’980 patent. 112 Prelim. Resp. 13–14. One reference need not identify explicitly another reference in order to form the basis for an obviousness combination. We also are not persuaded by Patent Owner’s argument that because Petitioner has not proven that Stefik ’235 and Stefik ’980 qualify as a single reference, all combinations including those references fail. 112 Prelim. Resp. 14. Petitioner argues that “there is explicit motivation to implement the repository disclosed by Stefik ’980 using the Document Card (DocuCard) of Stefik ’235.” 112 Pet. 21, n.12 (citing Ex. 1013, 2:47–52; Ex. 1014, 16:56–58; Ex. 1021 ¶¶ 51, 53). Stefik ’980 teaches that “the repository could be embedded in a ‘card’ that is inserted into an available slot in a computer system” (Ex. 1014, 16:56–58), and Stefik ’235 teaches a repository embedded in a card (Ex. 1013, 2:47–52). On the record before us, we are persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the legal conclusion of obviousness over a combination of Stefik ’235 and Stefik ’980. *See KSR Int’l v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)).

We discuss dependent claims 6, 7, and 13 as examples.

Claim 6

Claim 6 recites “[a] computer system as claimed in claim 1, further comprising an access control data store coupled to said processor for storing

access control data comprising a requester identifier, corresponding requester system access data and payment system data for identifying a payment system for use by the requester.” For this limitation, Petitioner refers to disclosure from Stefik ’235 teaching that “[a] Login transaction is the process by which a user logs onto a repository, typically by entering a Personal Identification Number (PIN). In this case, the user of the DocuCard is logging onto the DocuCard. This logging in process may also activate credit accounts.” 112 Pet. 48 (citing Ex. 1013, 6:60–65).

Claim 7

Claim 7 recites “[a] computer system as claimed in claim 1, further comprising content synthesis code to generate substantially complete item data from partial item data provided from two or more sources.” For this limitation, Petitioner refers to disclosure from Stefik ’235 teaching that “[f]or composite documents comprised of multiple individual digital works, the description part is an acyclic structure (e.g. a tree structure) wherein each node corresponds to one or more of the multiple individual digital works.” 112 Pet. 49 (citing Ex. 1013, 7:42–50). Stefik ’980 also discloses the following extract transaction.

A extract transaction is a request to copy a part of a digital work and to create a new work containing it. The extraction operation differs from copying in that it can be used to separate a part of a digital work from d-blocks or shells that place additional restrictions or fees on it. The extraction operation differs from the edit operation in that it does not change the contents of a work, only its embedding in d-blocks. Extraction creates a new digital work.

Ex. 1014, 39:57–64

Claim 13

Claim 13 recites “[a] data access system according to claim 12 further comprising a payment distribution store and wherein the electronic payment system makes payments according to data in the payment distribution store associated with the forwarded data on confirmation of the payment and/or provision of the forwarded data to the card.” For this limitation, Petitioner refers to disclosure from Stefik ’980, which indicates that data content has information associated with it, including “[a] handle identifying a revenue owner for a digital work,” “used for reporting usage fees.” Ex. 1014, 9:21–29, 10:24–32, Table 1.

For the reasons set forth above, Petitioner has established that it is more likely than not that it would prevail in demonstrating that claims 1, 6–8, 12, 13, 16, and 18 would have been obvious over the combination of Stefik ’235 and Stefik ’980. We deny as redundant the asserted ground that claims 1, 6–8, 12, 13, 16, and 18 would have been obvious over Stefik ’235, Stefik ’980, and Poggio. *See* 37 C.F.R. § 42.208(a).

2. *Claim 14*

Claim 14 recites “[a] data access system according to claim 12 further comprising a data use rule data store and wherein data *use rule data* is provided to the data carrier with the forwarded data for controlling user access to the forwarded data.” Petitioner’s claim chart states that the claimed “use rule data” corresponds to Stefik’s “(e.g., conflict rules; descriptor tree files containing usage rights and access conditions).” 112 Pet. 66. Petitioner also refers to disclosure from Stefik ’980 teaching that “[e]ach usage right might have one or more specified conditions which must be satisfied before the right may be exercised.” *Id.* at 67; *see* Ex. 1014,

6:46–48.¹⁰ Petitioner provides insufficient explanation, however, as to how Stefik’s “usage rights” operate. Petitioner also does not show sufficiently why “usage rights” satisfies “use rule data.” Even though “usage rights” may have “conditions,” they are not necessarily rules, and Petitioner has not persuaded us otherwise. For example, rights portion 504 is described as “a data structure, such as a look-up table, wherein the various information associated with a right is maintained.” Pet. 67 (citing Ex. 1013, 8:8–10); *see* Ex. 1014, 9:54–10:1. An exemplary data structure is illustrated in Figure 10 of Stefik ’980 and the information contained in such a data structure is indicated in Table 1. Ex. 1014, 10:28–32. Table 1 of Stefik ’980 discloses, for example, a “Loan–Period” property with a value in “Time–Units” that is an “[i]ndicator of the maximum number of time–units that a document can be leased out.” Petitioner, however, does not explain sufficiently why a “Loan–Period,” by itself, without, for example, corresponding content data item price, satisfies “data for a rule specifying a condition under which access to content is permitted,” as we have construed “use rule data.” Petitioner does not refer to Poggio as teaching this limitation. 112 Pet. 66–68.

For the reasons set forth above, Petitioner has not established that, more likely than not, it would prevail in demonstrating that claim 14 would have been obvious over the combination of Stefik ’235 and Stefik ’980 or over Stefik ’235, Stefik ’980, and Poggio.

¹⁰ We note that Petitioner mistakenly cites to Stefik ’235 (Ex. 1013) as citing this disclosure. Pet. 66–67.

E. Obviousness over Ginter

Petitioner contends that claims 1, 6–8, 12–14, 16, and 18 would have been obvious over Ginter. 113 Pet. 22, 40–78.

Ginter discloses a portable “virtual distribution environment” (“VDE”) that can “control and/or meter or otherwise monitor use of electronically stored or disseminated information.” Ex. 1115, Abstract, Fig. 71, 52:26–27.

1. Claims 1, 6–8, 12, 13, 16, and 18

In light of the arguments and evidence, Petitioner has established that it is more likely than not that claims 1, 6–8, 12, 13, 16, and 18 are unpatentable as obvious over Ginter.

We are not persuaded by Patent Owner’s argument that Petitioner has not provided evidence that one of ordinary skill in the art would have modified Ginter in a way to render obvious the claimed subject matter. 113 Prelim. Resp. 12. For example, Petitioner points to Ginter’s teaching “the known flexibility in such distribution systems, and underscores that one of ordinary skill would have known that combinations between and among disclosures of such distribution systems would have been obvious to one of ordinary skill in the art.” 113 Pet. 28–29 (citing Ex. 1015, 255:22–43; Ex. 1121 ¶ 58). We are, therefore, persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the conclusion that a person of ordinary skill would also have found claims 1, 6–8, 12, 13, 16, and 18 obvious in light of the teachings of Ginter. *See KSR Int’l*, 550 U.S. at 418.

2. *Claim 14*

Claim 14 recites “[a] data access system according to claim 12 further comprising a data use rule data store and wherein data *use rule data* is provided to the data carrier with the forwarded data for controlling user access to the forwarded data.” (Emphasis added). Petitioner’s claim chart states that the claimed “use rule data” corresponds to Ginter’s “(e.g., billing method map MDE and/or budget method UDE).” 113 Pet. 70–72.

Petitioner does not provide adequate argument or explanation as to why Ginter’s billing method map MDE and/or budget UDE satisfies the claimed “use rule data.” Without corresponding argument and explanation, Petitioner’s claim chart does not persuade us that more likely than not Ginter’s billing method MDE or budget method UDE satisfies the claimed “use rule data.”

Our review of Ginter does not persuade us otherwise. Ginter describes billing method map MDE as “a price list, table, or parameters to the billing amount calculation algorithm” (Ex. 1115, 190:47–50), and budget method UDE as “limitations on usage of information content 304, and how usage will be paid for” (*id.* at 59:17–20). Petitioner does not explain sufficiently, however, why a price list (billing method map MDE) and/or limitations on information content usage (budget method UDE), for example, discloses or teaches “use rule data.” To the extent Petitioner alleges that Ginter’s “budget value” (113 Pet. 70, n.40) satisfies the claimed “use rule data,” Petitioner does not explain why a budget value, particularly by itself, teaches data for a rule specifying a condition under which access to content is permitted.

Petitioner has not demonstrated that it is more likely than not that Ginter's budget method UDE renders obvious the claimed "use rule data." *See* 113 Pet. 71, n.41. Petitioner discusses Ginter "using a budget method UDE specific to a particular VDE content object to limit access to that VDE content object. . . by a user to a finite amount," and simply concludes that to one skilled in the art "it would have been obvious for a budget method UDE to be provided to the data carrier (*e.g.*, secondary storage and/or PEA) with the forwarded data and for the budget method UDE to control user access to the forwarded data (*e.g.*, Ginter's VDE content object)." *Id.* Petitioner does not provide any further rationale as to why claim 14 would have been obvious over Ginter, and the cited portion of the Wechselberger Declaration simply reiterates Petitioner's contentions and conclusory reasoning. *See id.* (citing Ex. 1121, App. D 117–118). Petitioner does not refer to any other reference in combination with Ginter as teaching this limitation. 113 Pet. 69–72.

For the reasons set forth above, Petitioner has not established that, more likely than not, it would prevail in demonstrating that claim 14 would have been obvious over: (1) Ginter; (2) Ginter and Poggio; (3) Ginter, Stefik '235, and Stefik '980; (4) Ginter, Stefik '235, Stefik '980, and Poggio; or (5) Ginter and Sato.

F. Additional Grounds Based on Ginter

Petitioner also challenges claims 1, 6–8, 12, 13, 16, and 18 as having been obvious over: Ginter and Poggio, and claims 12 and 13 as having been obvious over: Ginter, Stefik '235, and Stefik '980, obvious over Ginter, Stefik '235, Stefik '980, and Poggio, and obvious over Ginter and Sato. We deny these grounds as redundant in light of our determination that it is more

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likely than not that Petitioner would prevail in demonstrating that claims 1, 6–8, 12, 13, 16, and 18 would have been obvious over Ginter.

CONSOLIDATION

To administer the proceedings more efficiently, we exercise our authority under 35 U.S.C. § 325(d) to consolidate the two proceedings and conduct the proceedings as one trial, for the reasons discussed above. The consolidated trial will continue as CBM2014-00112, with CBM2014-00113 being terminated.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petitions establishes that it is more likely than not that Apple would prevail in establishing the unpatentability of claim 1, 6–8, 12, 13, 16, and 18 of the '317 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the following grounds:

1. Claim 1, 6–8, 12, 13, 16, and 18 of the '317 patent under 35 U.S.C. § 103(a) as obvious over Stefik '235 and Stefik '980;
2. Claim 1, 6–8, 12, 13, 16, and 18 of the '317 patent under 35 U.S.C. § 103(a) as obvious over Ginter;

FURTHER ORDERED that all other grounds raised in the CBM2014-00112 and CBM2014-00113 Petitions are *denied* for the reasons discussed above;

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FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order;

FURTHER ORDERED that pursuant to 35 U.S.C. §§ 324 and 325(d), Cases CBM2014-00112 and CBM2014-00113 are hereby instituted and consolidated;

FURTHER ORDERED that all further filings in the consolidated proceedings shall be made in CBM2014-00112, and CBM2014-00113 is herein terminated under 37 C.F.R. § 42.72;

FURTHER ORDERED that the case caption for CBM2014-00112 shall be changed to reflect the consolidation in accordance with the attached example; and

FURTHER ORDERED that a copy of this Decision be entered into the files of Cases CBM2014-00112 and CBM2014-00113.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

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¹ Case CBM2014-00113 has been consolidated with the instant proceeding.

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