

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.

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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.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “portable data carrier” (claim 1)—and a “process”—i.e., a “method” (claim 31)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34

“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 26. Specifically, Petitioner contends that “[m]ethod claim 31 and device claims 1, 2 and 15 are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 29. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–20; *see also* Paper 44 (transcript of oral hearing), 46:21–47:11 (Patent Owner arguing that the challenged claims do not cover an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to

performing the fundamental economic practice of conditioning and controlling access to content (claims 1, 2, 15, and 31). For example, claim 1 recites “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.” Claim 31 recites “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.”

As discussed above, the '598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59–2:4. The '598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As

discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 1, 2, 15 and 31 of the '598 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract

idea.” Pet. Reply 8. We are persuaded that claims 1, 2, 15, and 31 of the ’598 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 30–36.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 30–31 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 11–12 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5–8, 13–14 (citing Ex. 1201, 4:4–5, 16:46–50, 18:7–11). With respect to the “portable data carrier” recited in claim 1, for example, the

Specification states it may be a generic device such as “a standard smart card.” Ex. 1201, 11:27–29; *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.

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 32–33. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 2, 15, and 31 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 11–12. The challenged claims generically recite several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and generically recite several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent

simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 38; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 38.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject

matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier the digital content data item and at least one use rule (claim 1), and “code to provide access to the at least one content data item in accordance with the at least one use rule” (claim 2), or “a content access PIN memory store to store a PIN number for controlling access to the content data memory” (claim 15), or “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” (claim 31), access control to the digital content data item can be continuously enforced prior to access to the digital content data item, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected, and additional content can be obtained.

Id. at 10–11.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 9–17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical

venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ulramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims 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), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 11–12). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10–13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts

of compact discs, the pay TV industry, software data, and DVDs. *Id.* at 11 (citing Ex. 1219 ¶ 77; Ex. 1201, 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1215, 1:13–23. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 11–12 (citing Ex. 1219 ¶¶ 37, 75–77; Ex. 1208, Abstract, 4:27–35).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 10–12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the ’598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 2 of the ’598 patent recites “code to provide access to the at least one content data item in accordance with the at least one use rule.” There is no language in this claim, in any of the other challenged claims, or in the specification of the ’598 patent, that demonstrates that the generic computer components—“code to provide access” and “content data item” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to provide access,” “content data item,” and “use rule” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.”

Ultramerical, Inc., 772 F.3d at 716. This limitation merely relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramerical*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramerical* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramerical*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramerical* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the

following disclosure from the '598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 7 (quoting Ex. 1201, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 7–8.

As Petitioner notes, the concepts of continuous enforcement, and subsequent, portable, and disconnected use are not recited in the challenged claims. Pet. Reply 6 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art

discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 7–8 (citing Ex. 1216); Ex. 1216, 10:24–30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 40 (citing Ex. 1212); Ex. 1212, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 10–11)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

The Petition states that the “broad functional nature [of the challenged claim] firmly triggers preemption concerns.” Pet. 36. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 13–20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recites a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the

existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 18–20.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17–20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (“the “co-pending litigation”) with Patent Owner (PO Resp. 20–

21); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 21).

We are not persuaded by the first argument because Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). We also are not persuaded by the second argument because Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims of the ’598 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 21.

3. Conclusion

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 38, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 41, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 42). Patent Owner seeks to exclude Exhibits 1202–1208, 1211, 1212–1219, and 1225–1227. Mot. 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part* and *denied-in-part*.

1. Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–3; Paper 42, 1–2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’598 patent in the complaint because the ’598 patent itself is in evidence. Mot. 2. Moreover, according to Patent Owner, its characterization of the ’598 patent is irrelevant and, even if relevant, cumulative to the ’598 patent itself. *Id.* at 2–3.

We are persuaded that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the ’598 patent), but as evidence of how Patent Owner has characterized the ’598 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the ’598 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the ’598 patent in prior proceedings is relevant to the credibility of its characterization of the ’598 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the ’598 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’598 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’598 patent does not satisfy the “financial in nature”

requirement for a covered business method patent review (Paper 18 (Preliminary Response), 5–10).

Accordingly, we decline to exclude Exhibit 1202.

2. Exhibit 1205

Patent Owner seeks to exclude Exhibit 1205 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger Declaration,¹ and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3–4.

Petitioner does not oppose excluding Exhibit 1205. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1205 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1205, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1205.

3. Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227

Patent Owner seeks to exclude Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5–6; Paper 42, 2. Patent Owner also seeks to exclude Exhibits 1203, 1204, 1212, and 1213 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 7–8; Paper 42, 2.

¹ Declaration of Anthony J. Wechselberger. Ex. 1219.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2–3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2019 ¶¶ 36–55, 81–85, App. C.) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 35). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227.

4. *Exhibit 1219*

Patent Owner moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 42, 2–3. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (*e.g.*,

substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Mot. 10–11; Paper 42, 2–3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. Patent Owner has not cited any authority requiring an expert to recite or apply the "preponderance of the evidence" standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether a petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 30–98 from the declaration. Mot. 11–12. Specifically, Patent Owner states:

Paragraphs 30-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11–12.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the scope of the challenged claims, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner also requests that we exclude paragraphs 69–98 of the Exhibit 1219 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that claims 1, 2, 15, and 31 of the '598 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner’s motion to exclude is *granted-in-part* and *denied-in-part*;

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

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FURTHER ORDERED that, because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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