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Paper 48
Entered: September 25, 2015

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00112[1]
Patent 7,942,317 B2

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

ELLURU, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

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

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

I. 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.").[2] On September 30, 2014, we consolidated CBM2014-00112 and CBM2014-00113 and instituted a transitional covered business method patent review (Paper 7, "Decision to Institute" or "Dec.") based upon Petitioner's assertion that claims 1, 6–8, 12, 13, 16, and 18 are unpatentable based on the following grounds:

Reference[s][3]	**Basis**	**Claims Challenged**
Stefik '235[4] and Stefik '980[5]	§ 103(a)	1, 6–8, 12, 13, 16, and 18
Ginter[6]	§ 103(a)	1, 6–8, 12, 13, 16, and 18

Dec. 22. Petitioner provides declarations from Anthony J. Wechselberger ("Wechselberger Decl.") in support of its petitions. 112 Ex. 1021; 113 Ex. 1121.

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[2] Unless otherwise specified, hereinafter, paper numbers refer to paper numbers in CBM2014-00112.

[3] 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.

[4] U.S. Patent No. 5,530,235 (June 25, 1996) (Ex. 1013, "Stefik '235").

[5] U.S. Patent No. 5,629,980 (May 13, 1997) (Ex. 1014, "Stefik '980").

[6] U.S. Patent No. 5,915,019 (June 22, 1999) (Ex. 1015, "Ginter").

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 22, "PO Resp.") and, in support, a declaration from Jonathan Katz, Ph.D. (Ex. 2031, "Katz Declaration"). Petitioner filed a Reply (Paper 30, "Pet. Reply") to Patent Owner's Response.

An oral hearing was held on July 7, 2015, and a transcript of the hearing is included in the record (Paper 47, "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, 6–8, 12, 13, 16, and 18 of the '317 patent are unpatentable.

B. 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.").

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 LC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.*, 112 Pet. 15–16; 112 Papers 4, 5. Patent Owner indicates that other patents in the same patent family are the subject of several other district court cases. Paper 32, 2–3.

In addition to the 112 and 113 Petitions, Apple, as well as other Petitioners, has filed numerous other Petitions for covered business method patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter.

D. The Instituted Claims

We instituted review of claims 1, 6–8, 12, 13, 16, and 18 of the '317 patent. Dec. 22. Claims 1, 8, 12, 16, and 18 are independent. Claims 6 and 7 depend from claim 1 and claim 13 depends 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 26:36–43.

II. EVIDENTIARY MATTERS

A. Wechselberger Declarations

In its Response, Patent Owner urges that the 112 and 113 Wechselberger declarations should be given little or no weight. PO Resp. 4–8; *see* Tr. 72:23–73:17. In its Preliminary Response, Patent Owner argued that we should disregard the declarations, but we determined that Patent Owner did not offer any evidence that Mr. Wechselberger "used incorrect criteria, failed to consider evidence, or is

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