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Paper 43
Entered: May 26, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

and

GOOGLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00029[1]
Patent 7,334,720 B2

Before JENNIFER S. BISK, RAMA G. ELLURU,
GREGG I. ANDERSON, 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] The challenge to claim 15 of U.S. Patent No. 7,334,720 B2 in CBM2015-00125 was consolidated with this proceeding. Paper 28, 9–11.

INTRODUCTION

A. Background

Petitioner Apple Inc. ("Apple") filed a Corrected Petition to institute covered business method patent review of claims 3 and 13–15 of U.S. Patent No. 7,334,720 B2 (Ex. 1301, "the '720 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 5 ("Pet."). Patent Owner, Smartflash LLC ("Smartflash"), filed a Preliminary Response. Paper 8 ("Prelim. Resp."). On May 28, 2015, we instituted a covered business method patent review (Paper 11, "Institution Decision" or "Inst. Dec.") based upon Apple's assertion that claims 3 and 15 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

Subsequent to institution, Smartflash filed a Patent Owner Response (Paper 23, "PO Resp."), and Apple filed a Reply (Paper 26, "Reply").

On May 6, 2015, Google Inc. ("Google") filed a Petition to institute covered business method patent review of claims 1 and 15 of the '720 patent based on the same grounds. *Google Inc. v. Smartflash LLC*, Case CBM2015-00125 (Paper 3[2], "Google Pet."). On June 29, 2015, Google filed a "Motion for Joinder" of its newly filed case with Apple's previously instituted cases.[3] CBM2015-00125 (Paper 7, "Google Mot."). On November 16, 2015, we granted Google's Petition and consolidated

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[2] We refer to the redacted version of the Petition.

[3] Google's Motion requested that its challenge to claim 15 be consolidated with this case and that its challenge to claim 1 be consolidated with CBM2015-00028. CBM2015-00028, filed by Apple, involves claims 1 and 2 of the '720 patent. A Final Written Decision in CBM2015-00028 is issued concurrently with this Decision.

Google's challenge to claim 15 of the '720 patent with this proceeding.[4] Paper 28; CBM2015-00125 (Paper 11).

An oral hearing was held on January 6, 2016, and a transcript of the hearing is included in the record (Paper 41, "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 3 and 15 of the '720 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The '720 Patent

The '720 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. 1301, 1:6–10. 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 1:15–41. The '720 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:46–62. According to the '720 patent, this combination of the payment validation means with the data storage means allows data owners to make their data available over the Internet without fear of data pirates. *Id.* at 1:62–2:3.

[4] For purposes of this decision, we will cite only to Apple's Petition and the record in CBM2015-00029, and refer collectively to Apple and Google as "Petitioner."

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:46–55. 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 1:56–59. The '720 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 26:13–16 ("The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . . .").

C. Challenged Claims

We instituted a review of Petitioner's challenges to claims 3 and 15 of the '720 patent. Claim 3 is independent and claim 15 depends from claim 14[5]. Claims 3, 14, and 15 are repoduced below:

> 3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
>
> a first interface for communicating with the data supplier;
>
> a data carrier interface for interfacing with the data carrier;
>
> a program store storing code; and
>
> a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

[5] We instituted a review of claims 13 and 14 of the '720 patent under § 101 in CBM2014-00190. *Samsung Electronics. v. Smartflash LLC*, Case CBM2015-00190 (Paper 9, 18). A Final Written Decision in CBM2014-00190 is issued concurrently with this Decision.

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Ex. 1301, 26:41–67.

14. A method of providing data from a data supplier to a data carrier, the method comprising:

reading payment data from the data carrier;

forwarding the payment data to a payment validation system;

retrieving data from the data supplier;

writing the retrieved data into the data carrier;

receiving at least one access rule from the data supplier; and

writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

Id. at 28:5–20.

15. A method of providing data from a data supplier according to claim 14 further comprising:

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