

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00121
Patent 8,794,516 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, and GREGG I.
ANDERSON, *Administrative Patent Judges*.

ANDERSON, *Administrative Patent Judge*.

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

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 1–28 of U.S. Patent No. 8,794,516 B2 (Ex. 1001, “the ’516 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 2 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). On November 10, 2015, we instituted a covered business method patent review (Paper 8, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1–28 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 24.

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 17, “PO Resp.”) and Petitioner filed a Reply (Paper 21, “Pet. Reply”) to Patent Owner’s Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 29 (“Notice”). Petitioner filed a Response to Patent Owner’s Notice. Paper 30 (“Notice Resp.”).

We held a joint hearing of this this case and several other related cases on July 18, 2016. Paper 31 (“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 1–28 of the ’516 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

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

B. Related Matters

The '516 patent is the subject of the following district court case *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Pet. 36, Paper 4, 4–5. Petitioner advises that patents related to the '516 patent have been asserted in other actions including: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014), all where Petitioner is a party; and *Smartflash LLC et al. v. Amazon.Com, Inc., et al.*, No. 6:14-cv-992 (E.D. Tex.), where Petitioner is not a party. Pet. 36, Paper 4, 4–5.

Petitioner previously filed petitions for covered business method patent review of several related patents and a review of the '516 patent.² Paper 4, 5.

C. The '516 Patent

The '516 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, 1:24–28. 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 1:32–58. The '516 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:62–2:3. According to the '516 patent, this combination of the payment validation means with the data storage means allows data owners to

² See *Google Inc. v. Smartflash LLC*, CBM2015-00143, Decision Denying Institution (PTAB Nov. 18, 2015) (Paper 8).

make their data available over the internet without fear of data pirates. *Id.* at 2:8–19.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:62–2:3. 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 2:4–7. The '516 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 25:59–62 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

D. Illustrative Claims

As noted above, Petitioner challenges claims 1–28. Claims 1, 5, 14, 21, and 25 are independent claims. Claims 1 and 14, respectively, an apparatus (“handheld multimedia terminal”) claim and method claim, are illustrative of the claimed subject matter and reproduced below:

1. A handheld multimedia terminal, comprising:
 - a wireless interface configured to interface with a wireless network for accessing a remote computer system;
 - non-volatile memory configured to store multimedia content, wherein said multimedia content comprises one or more of music data, video data and computer game data;
 - a program store storing processor control code;
 - a processor coupled to said non-volatile memory, said program store, said wireless interface and a user interface to allow a user to select and play said multimedia content;
 - a display for displaying one or both of said played multimedia content and data relating to said played multimedia content;

wherein the processor control code comprises:
code to request identifier data identifying one or more items of multimedia content stored in the non-volatile memory;
code to receive said identifier data;
code to present to a user on said display said identified one or more items of multimedia content available from the non-volatile memory;
code to receive a user selection to select at least one of said one or more of said stored items of multimedia content;
code responsive to said user selection of said at least one selected item of multimedia content to transmit payment data relating to payment for said at least one selected item of multimedia content via said wireless interface for validation by a payment validation system,
wherein said payment data comprises user identification data identifying said user to said payment validation system;
code to receive payment validation data via said wireless interface defining if said payment validation system has validated payment for said at least one selected item of multimedia content; and
code to control access to said at least one selected item of multimedia content on said terminal responsive to said payment validation data,
wherein said user interface is operable to enable a user to select said at least one item of multimedia content available from said non-volatile memory; and
wherein said user interface is operable to enable a user to access said at least one selected item of multimedia content responsive to said code to control access permitting access to said at least one selected item of multimedia content.

Ex. 1001, 25:65–26:45.

14. A method of providing an item of multimedia content to a handheld multimedia terminal, the method comprising:
receiving a request from the handheld multimedia terminal for identifier data identifying one or more items of multimedia content data available to the handheld multimedia terminal;
retrieving the identifier data from a data store;

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