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Paper 38
Entered: November 10, 2016

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC. and GOOGLE, INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00133[1]
Patent 8,336,772 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON, 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

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[1] Google's challenge to claims 9 and 21 based on 35 U.S.C. § 101 in CBM2015-00132 was consolidated with this proceeding. Paper 10.

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INTRODUCTION

A. Background

Apple Inc. ("Apple") filed a Petition to institute covered business method patent review of claims 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 of U.S. Patent No. 8,336,772 B2 (Ex. 1001, "the '772 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet.").[2] Smartflash LLC ("Patent Owner") filed a Preliminary Response. Paper 5 ("Prelim. Resp."). On November 16, 2015, we instituted a covered business method patent review (Paper 7, "Institution Decision" or "Inst. Dec.") based upon Apple's assertion that claims 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 22.

On May 8, 2015, Google Inc. ("Google") filed a corrected Petition requesting covered business method patent review of claims 1, 5, 9, 10, 14, 21, and 22 of the '772 patent on the ground that they are directed to patent ineligible subject matter under 35 U.S.C. § 101. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 6, "Google Petition"). On June 29, 2015, Google filed a Motion for Joinder (CBM2015-00132, Paper 10) seeking to consolidate its challenge with earlier-filed petitions for covered business method patent reviews of the '772 patent in *Apple Inc. v. Smartflash LLC*, Cases CBM2015-00031 and CBM2015-00032, which were instituted on May 28, 2015. *See Apple Inc. v. Smartflash, LLC*, Case CBM2015-00031, slip. op. at 19–20 (PTAB May 28, 2015) (Paper 11) (instituting review of claims 1, 5, 8, and 10 of the '772 patent under 35 U.S.C. § 101); and *Apple Inc. v. Smartflash, LLC*, Case CBM2015-00032,

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

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slip. op. at 18–19 (Paper 11) (instituting review of claims 14, 19, and 22 of the '772 patent under 35 U.S.C. § 101). On December 1, 2015, we granted Google's Petition and consolidated its challenge to claims 1, 5, 9, and 10 with CBM2015-00031 and consolidated its challenge to claims 14, 21, and 22 with CBM2015-00032. *Google Inc. v. Smartflash LLC*, Case CBM2015-00132 (Paper 14). Subsequently, we granted an unopposed request by Apple and Google (collectively, "Petitioner") to consolidate Google's challenge to claims 9 and 21 with CBM2015-00133 instead of with CBM2015-00031 and CBM2015-00032, respectively. Paper 10.

Patent Owner filed a Patent Owner Response (Paper 21, "PO Resp.") and Apple filed a Reply (Paper 25, "Reply") to Patent Owner's Response.

Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 33 ("Notice"). Apple and Google (collectively, "Petitioner") filed a Response to Smartflash's Notice. Paper 34 ("Notice Resp.").

We held a joint hearing of this this case and several other related cases on July 18, 2016. Paper 36 ("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 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 of the '772 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters

The parties indicate that the '772 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145

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(E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co. Ltd.*, Case No. 6:13-cv-448 (E.D. Tex.); and *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 34; Paper 4, 4.

We have issued three previous Final Written Decisions in reviews challenging the '772 patent. In CBM2015-00031, we found claims 1, 5, 8, and 10 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00031 (PTAB May 26, 2016) (Paper 45). In CBM2015-00032, we found claims 14, 19, and 22 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00032 (PTAB May 26, 2016) (Paper 46). In CBM2015-00033, we found claims 25, 26, 30, and 32 unpatentable under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00033 (PTAB May 26, 2016) (Paper 40).

C. The '772 Patent

The '772 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 '772 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 '772 patent, this combination of the payment validation means with the data storage means allows data

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owners to make their data available over the internet without fear of data pirates. *Id.* at 2:10–18.

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 '772 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

The claims under review are claims 2–4, 6, 7, 9, 11–13, 15–18, 20, 21, 23, 24, 27–29, 31, and 33–36 of the '772 patent. Inst. Dec. 22. Of the challenged claims, claims 35 and 36 are independent. Claims 2–4, 6, and 7 depend from independent claim 1 (held unpatentable under § 101 in CBM2015-00031). Claims 9 and 11–13 depend from independent claim 8 (held unpatentable under § 101 in CBM2015-00031). Claim 15–18 depend from claim 14 (held unpatentable under § 101 in CBM2015-00032). Claims 20, 21, 23, and 24 depend from 19 (held unpatentable under § 101 in CBM2015-00032). Claims 27–29 depend from claim 25 (held unpatentable under § 101 in CBM2015-00033). Claims 31, 33, and 34 depend from claim 30 (held unpatentable under § 101 in CBM2015-00033). Claim 36 is illustrative and recites the following:

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