

Exhibit 2

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Paper 8 (CBM2014-00102)
Paper 8 (CBM2014-00103)
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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00102
Case CBM2014-00103
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge.*

DECISION

Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”) filed two Petitions to institute covered business method patent review of claims 1, 2, 11-14, and 32 (the “challenged

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claims”) of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ CBM2014-00102, Paper 2 (“’102 Pet.”); CBM2014-00103, Paper 2 (“’103 Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response in each of the two cases. CBM2014-00102, Paper 6 (“’102 Prelim. Resp.”); CBM2014-00103, Paper 6 (“’103 Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

B. Asserted Grounds

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (’102 Pet. 20–21, 26–79; ’103 Pet. 22–23; 28–79).

References	Basis	Claims Challenged
CBM2014-00102		
Stefik ’235 ² and Stefik ’980 ³	§ 102 ⁴	1, 11, 12, and 32

¹ Patent Owner argues that the multiple petitions filed against the ’458 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. ’102 Prelim. Resp. 10–11; ’103 Prelim. Resp. 10–11. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of the ’102 and the ’103 Petitions is within that requirement.

² U.S. Patent 5,530,235 (Ex. 1013) (“Stefik ’235”).

³ U.S. Patent 5,629,980 (Ex. 1014) (“Stefik ’980”).

⁴ Petitioner refers to Stefik ’235 and Stefik ’980 collectively as “Stefik” and argues that they should be considered as a single reference for anticipation purposes because, according to Petitioner, Stefik ’235 incorporates

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References	Basis	Claims Challenged
Stefik '235 and Stefik '980	§ 103	1, 11, 12, and 32
Stefik '235, Stefik '980, and Poggio ⁵	§ 103	1, 2, 11–14, and 32
Stefik '235, Stefik '980, and Sato ⁶	§ 103	1, 2, 11–14, and 32
Stefik '235, Stefik '980, Poggio, and Sato	§ 103	1, 2, 11–14, and 32
CBM2014-00103		
Ginter ⁷	§ 103	1, 2, 11–14, and 32
Ginter and Poggio	§ 103	1, 2, 11–14, and 32
Ginter, Stefik '235, and Stefik '980	§ 103	1, 2, 11–14, and 32
Ginter and Sato	§ 103	1, 2, 11–14, and 32
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	1, 2, 11–14, and 32

Petitioner also provides a Declaration from Anthony J. Wechselberger (“the Wechselberger Declaration”).⁸ Ex. 1021; Ex. 1121.⁹

Stefik '980 by reference. '102 Pet. 26–27, n.13. Patent Owner disagrees. '102 Prelim. Resp. 12–14. We do not reach this issue because even when considered as one reference, we determine that Stefik '235 and Stefik '980 do not teach all the recited claim limitations in the same form and order as listed in the claims.

⁵ European Patent Application, Publication No. EP0809221A2 (Ex. 1016) (“Poggio”).

⁶ JP Patent Application Publication No. H11-164058 (including translation) (Ex. 1018) (“Sato”).

⁷ U.S. Patent No. 5,915,019 (Ex. 1015) (“Ginter”).

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After considering the Petitions and Preliminary Responses, we determine that the '221 patent is a covered business method patent and that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Therefore, we institute a covered business method patent review of claims 1, 2, and 11–14. We deny institution of a covered business method patent review of claim 32.

C. Related Matters

Petitioner indicates that the '221 patent is the subject of the following co-pending district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC v. Samsung*, Case No. 6:13-CV-448 (E.D. Tex.). '102 Pet. 20; '103 Pet. 22.

In addition to the Petitions in CBM2014-00102 and CBM2014-00103, Petitioner filed ten other petitions for covered business method patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00104; CBM2014-00105; CBM2014-00106; CBM2014-00107; CBM2014-00108; CBM2014-00109; CBM2014-00110; CBM2014-00111; CBM2014-00112; and CBM2014-00113.

⁸ On this record, we are not persuaded by Patent Owner's argument that we should disregard the Wechselberger Declaration. *See* '102 Prelim. Resp. 15–17; '103 Prelim. Resp. 18–20. Patent Owner identifies purported omissions from the Declaration, but offers no evidence that Mr. Wechselberger used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field. *Id.*

⁹ Exhibits with numbers 1001–1029 were filed in CBM2014-00102 and those with numbers 1101–1129 were filed in CBM2014-00103. For purposes of this Decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00102.

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D. The '221 Patent

The '221 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 1:21–25. 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 1:29–56. The '221 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 the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–4. The '221 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 25:41–44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Challenged Claims

Petitioner challenges claims 1, 2, 11–14, and 32 of the '221 patent. Claims 1, 12, and 32 are independent. Claims 2 and 11 depend from claim 1 and claims 13 and 14 depend either directly or indirectly from claim 12.

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Claims 1, 12, and 32 are illustrative of the claims at issue and recite the following:

1. 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 implementable by a processor; and
 - a processor, coupled to the first interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - 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.

Ex. 1001, 25:45–61.

12. 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; and
 - writing the retrieved data into the date [sic] carrier.

Id. at 26:43–49.

32. 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;

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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:

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;

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; and

code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier.

Id. at 28:23–50.

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 '221 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 construe the claim term “access rule.”

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Independent claim 32 requires receiving at least one “access rule” from the data supplier and that the “at least one access rule specif[ies] at least one condition for accessing the retrieved data.” The ’221 patent also states that “one or more content access rules are received from the system owner data supply computer and written to the smart Flash card so that each content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.” Ex. 1001, 21:48–53; *see also id.* at 7:31–32 (stating that access data “links a content identifier with an access rule, typically based upon a required payment value”). Accordingly, for purposes of this Decision, we construe “access rule” as a rule specifying a condition under which access to content is permitted.

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “[c]overed business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

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1. Financial Product or Service

Petitioner asserts that claim 12 “clearly relates to a financial activity and providing a financial service” because it “describes electronically transferring money and allowing such a transfer.” ’102 Pet. 15; ’103 Pet. 16–17. Based on this record, we agree with Petitioner that the subject matter recited by claim 12 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 12 recites “reading payment data from the data carrier” and “forwarding the payment data to a payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the specification of the ’221 patent, which confirms claim 12’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23. The specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001 1:59–68; 6:60–64; 20:50–54.

Patent Owner disagrees that claim 12 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. ’102 Prelim. Resp. 3–7; ’103 Prelim. Resp. 3–7. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

We do not agree that the phrase “financial product or service” in § 18(d)(1) of the AIA is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a

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“nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or service” is *not* limited to the products or services of the “financial services industry” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 12 is not directed to an apparatus or method that is financial in nature because claim 12 “omits the specifics of how payment is made.” ’102 Prelim. Resp. 7; ’103 Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. *Id.* We determine that because payment is required by claim 12, as Patent Owner acknowledges (*id.*), the financial-in-nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’221 patent includes at least one claim that meets the financial-in-nature requirement of § 18(d)(1) of the AIA.

2. *Exclusion for Technological Inventions*

Petitioner asserts that claim 12 does not fall within § 18(d)(1)’s exclusion for “technological inventions.” ’102 Pet. 15–19; ’103 Pet. 17–20.

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In particular, Petitioner argues that claim 12 “does not recite a technological feature that is novel and unobvious” or “solve a technical problem using a technical solution.” *Id.* (quoting 37 C.F.R. § 42.301(b) (emphasis omitted)). Patent Owner disagrees and argues that claim 12, as a whole, recites at least one technological feature. ’102 Prelim. Resp. 8–9; ’103 Prelim. Resp. 8–9.

We are persuaded that claim 12 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim 12 does recite a “payment validation system.” The specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” Ex. 1001, 8:63–65; *see id.* at 13:35–47. Claim 12 also recites a “data carrier.” This component, however, is a generic hardware device known in the prior art. The specification discloses, for instance, that a data carrier may be a “standard smart card.” *See* Ex. 1001, 11:28–29.

In addition, the ’221 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’221 patent states that “there is an urgent need to find a way to address the problem of data piracy,” (*id.* at 1:52–55) while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Claim 12 is merely the recitation of known technologies to perform a method, which indicates that it is not a patent for a

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technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 12 falls within § 18(d)(1)'s exclusion for “technological inventions” because it is directed towards solving the technological problem of “writing data from a data supplier into a data carrier” with the technological solution of “a data carrier from which payment data is read and to which retrieved data from a data supplier is written.” ’102 Prelim. Resp. 8; ’103 Prelim. Resp. 8. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 12 is a business problem—data piracy. ’102 Pet. 18–19; ’103 Pet. 17–20. For example, the specification states that “[b]inding data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Therefore, based on the particular facts of this proceeding, we conclude that claim 12 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

In view of the foregoing, we conclude that the ’221 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review under the transitional covered business method patent program.

C. Anticipation by Stefik ’235 and Stefik ’980

Stefik ’235 teaches a portable Document Card (“DocuCard”) for storing information in a digital form, storing usage rights for the information, processing user-initiated functions and requests to access documents stored therein, interfacing to external devices for reading and

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writing digital information, and allowing a user to directly interact with the DocuCard. Ex. 1013, 2:29–40; 7:35–42.

Stefik '980 teaches a “repository” for storing digital works, controlling access to digital works, billing for access to digital works and maintaining the security and integrity of the system. Ex. 1014, 6:57–61.

Petitioner asserts that claims 1, 11, 12, and 32 are anticipated by Stefik '235 and Stefik '980. '102 Pet. 21; 26–31. We are not persuaded that Petitioner has shown that every claim element and limitation of claims 1, 11, 12, and 32 is set forth in the prior art in the same form and order as in the claim. *See In re Omeprazole Patent Litig.*, 483 F.3d 1364, 1373 (Fed. Cir. 2007); *Continental Can Co. USA, Inc. v. Monsanto Co.*, 948 F.2d 1264, 1267 (Fed. Cir. 1991).

Petitioner relies on the repository described in Stefik '980, as describing several of the claim elements. For example, Petitioner describes a combination of two examples of repositories as corresponding to the claimed subject matter. '102 Pet. 44, n. 14; *see also* '102 Pet. 41–61 (claim chart for claim 1), 62–73 (claim charts for claims 12 and 32). In the first example, “a data access terminal (processing means 1200) and data supplier (storage system 1207) are both located within a first repository . . . and a data carrier (second repository) is communicating with the data access terminal through a communications interface (external interface 1206) of the first repository.” '102 Pet. 44, n.14. In the second example, “a data access terminal (processing means 1200) and data carrier (storage system 1207) are both located within a first repository . . . and a data supplier (second repository) is communicating with the data access terminal through a

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communications interface (external interface 1206) of the first repository.”
Id.

To support this assertion, Petitioner cites to several figures and the corresponding description of Stefik '980. *Id.* at 45–61. Petitioner, however, does not explain persuasively how either Stefik '235 or Stefik '980 alone or in combination discloses the claimed limitations in the same form and order as in the claim. Although Stefik '980 discloses repositories that may act in different capacities (*see, e.g.*, Ex. 1014, Abstract), Petitioner does not persuasively establish it is more likely than not that either Stefik '980 or Stefik '235 discloses a system using repositories in the same form and order as in claims 1, 11, 12, and 32. For example, Petitioner asserts that “either of the first or second repositories shown in Fig. 1, or both of those repositories, *could be* configured as shown in Fig. 12,” but does not point to any disclosure of this configuration in the Stefik references. '102 Pet. 42 (claim chart for claim 1) (emphasis added); 63 (claim chart for claim 12) (emphasis added).

Thus, Petitioner has failed to establish that it is more likely than not that it would prevail in demonstrating that claims 1, 11, 12, and 32 are unpatentable as anticipated by the Stefik references.

D. Additional Grounds Based on Stefik '235 and Stefik '980

Petitioner contends that claims 1, 11, 12, and 32 would have been obvious over the Stefik references alone. '102 Pet. 21, 26–31. Petitioner also contends that claims 1, 2, 11–14, and 32 would have been obvious over Stefik combined with Poggio and/or Sato. We find Petitioner's contentions that claims 1, 2, and 11–14 would have been obvious over the Stefik

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references persuasive, but are not persuaded by Petitioner's contentions regarding claim 32 for the reasons discussed below.

1. Claims 1, 11, and 12

In light of the arguments and evidence, Petitioner has established that it is more likely than not that claims 1, 11, and 12 are unpatentable as obvious over the combined teachings of Stefik '235 and Stefik '980. *See* '102 Pet. 41–69.

We are not persuaded by Patent Owner's argument that there is no evidence that one of ordinary skill in the art would have combined Stefik '235 and Stefik '980 because Stefik '235 does not identify sufficiently Stefik '980. '102 Prelim. Resp. 13–14. One reference need not identify explicitly another reference by “application serial number, filing date, inventors or attorney docket number” (*id.* at 13) in order to form the basis for an obviousness combination.

Petitioner argues that “there is explicit motivation to implement the repository disclosed by Stefik '980 using the Document Card (DocuCard) of Stefik '235.” '102 Pet. 26–27, n.13 (citing Ex. 1013, 2:47–52; Ex. 1014, 16:56–58; Ex. 1021 ¶ 56). Stefik '980 teaches that “the repository could be embedded in a ‘card’ that is inserted into an available slot in a computer system” (Ex. 1014, 16:56–58), and Stefik '235 teaches a repository embedded in a card (Ex. 1013, 2:47–52). On the record before us, we are persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. *See KSR Int'l v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (citing *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)).

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We decline to proceed on the asserted grounds that claims 1, 11, and 12 would have been obvious over Stefik combined with Poggio and/or Sato, as these grounds are redundant in light of the grounds on which we have decided to institute trial. *See* 37 C.F.R. § 42.208(a).

2. *Claims 2, 13, and 14*

Petitioner asserts that claims 2, 13, and 14 would have been obvious over Stefik combined with Poggio and/or Sato. '102 Pet. 21, 31–40, 73–79. In light of the arguments and evidence, Petitioner has established that it is more likely than not that claims 2, 13, and 14 would have been obvious over the combination of Stefik '235, Stefik '980, and Poggio. On this record, we are persuaded that Petitioner's citations support Petitioner's contentions. *Id.* at 74–79.

We are not persuaded by Patent Owner's argument that because Petitioner has not proven that Stefik '235 and Stefik '980 qualify as a single reference, all combinations including those references fail. '102 Prelim. Resp. 14–15. As described above, we are persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the legal conclusion of obviousness over a combination of Stefik '235 and Stefik '980. We further are persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the conclusion that a person of ordinary skill would also have included the teachings of Poggio. For example, Petitioner points to Poggio's teaching that "facilitating the content transactions can advantageously be done with minimal action from the vendor, and payment validation processes that are automatically executed from stored code, as taught by Poggio, would contribute this additional

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benefit to Stefik’s repository system.” ’102 Pet. 34 (citing Ex. 1014 2:66–3:1).

For the reasons set forth above, Petitioner has established that it is more likely than not that it would prevail in demonstrating that claims 2, 13, and 14 would have been obvious over Stefik ’235, Stefik ’980, and Poggio. We decline to proceed on the asserted grounds that claims 2, 13, and 14 would have been obvious over the Stefik references combined with Sato or with both Poggio and Sato, as these grounds are redundant in light of the grounds on which we have decided to institute trial. *See* 37 C.F.R. § 42.208(a).

3. *Claim 32*

Petitioner asserts that independent claim 32 would have been obvious over Stefik alone or combined with Poggio and/or Sato. ’102 Pet. 21, 69–71.

Claim 32 requires “at least one access rule,” which, as explained above, we construe as a rule specifying a condition under which access to content is permitted. Specifically, claim 32 recites

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.

Petitioner’s claim chart states that the claimed “access rule” corresponds to Stefik’s “(e.g., usage rights).” ’102 Pet. 70.

Petitioner provides insufficient explanation as to how Stefik’s “usage rights” operate. Petitioner also does not show sufficiently why “usage rights” satisfy “access rule.” Even though “usage rights” may have

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“conditions,” they are not necessarily rules, and Petitioner has not persuaded us otherwise. For example, rights portion 504 is described as “a data structure, such as a look-up table, wherein the various information associated with a right is maintained.” ’102 Pet. 47 (citing Ex. 1013, 8:8–10); *see* Ex. 1014, 9:54–10:1. An exemplary data structure is illustrated in Figure 10 of Stefik ’980 and the information contained in such a data structure is indicated in Table 1. Ex. 1014, 10:28–32. Table 1 of Stefik ’980 discloses, for example, a “Loan-Period” property with a value in “Time-Units” that is an “[i]ndicator of the maximum number of time-units that a document can be loaned out.” A data structure and the information within it, however, cannot be a rule. At best, a rule might use the information in the data structure—e.g., if the number of time-units that a document has been leased out is less than Loan-Period, then allow access—but the usage right itself (e.g., Loan-Period) is not “a rule specifying a condition under which access to content is permitted,” as we have construed “access rule.”

In addition, claim 32 recites “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.” Petitioner’s claim chart asserts that “Stefik discloses attaching at least one access rule (e.g., usage rights) to retrieved data (e.g., digital works), and then transmitting the attached access rule (e.g., usage rights) with the content when the content is provided to a data carrier (e.g., requesting repository).” ’102 Pet. 70. Petitioner, however, does not explain why transmitting usage rights *with the content* when the content is provided to a data carrier teaches code that is *responsive to payment validation data* to receive an access rule. Petitioner’s claim chart further asserts that Stefik discloses an example in which the

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receipt of payment validation data (e.g., acceptance of assigned fees) is a prerequisite to providing a user with options to select a document and a desired function for the document to perform, and the requested content and attached access rule (e.g., usage rights) is provided to the requester responsive to (e.g., only after) payment validation. *Id.* at 70–71. Petitioner, however, does not explain why a requesting repository providing a user with the usage rights in response to payment validation teaches code that is responsive to the payment validation system to receive an access rule *from the data supplier* and to *write the rule to the data carrier*.

Furthermore, claim 32 requires “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). For this claim limitation, Petitioner’s claim chart asserts that: The type of content sent to the data carrier (e.g., requesting repository) and its attached access rules and conditions (e.g., usage rights) are dependent on the type of request and the *amount of payment (e.g., the fees paid by the requester)* transmitted to the payment validation system (e.g., billing server) for certain usage rights (e.g., “print” or “view” rights and “purchase” or “loan” rights). *Id.* at 70–71 (emphasis added). Our review of the claim chart does not indicate which specific disclosure in either Stefik ’235 or Stefik ’980 supports Petitioner’s assertion. In any event, Petitioner does not explain sufficiently why “usage rights” dependent *on the fees paid by the requester* teaches an access rule that specifies a condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system. *Id.* In other words, the fees paid by the

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requester may occur after the amount of payment associated with the payment data is forwarded to the payment validation system. Petitioner has not persuaded us that the amount a user is charged is the same amount of payment forwarded to the payment validation system.

Petitioner's claim chart also refers to disclosure from Poggio for this claim element. '102 Pet. 71. Petitioner, however, fails to explain persuasively why receiving an access rule in response to "payment validation data" or "confirmation that the payment has been made" teaches "at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded to the payment validation system*" (emphasis added). For example, Petitioner does not explain persuasively why the amount of the payment that was made is the same amount of payment associated with the payment data *forwarded to the payment validation system*. Our review of the Petition does not indicate that Petitioner refers to any other reference as teaching this claim limitation.

For the reasons set forth above, Petitioner has failed to establish that it is more likely than not that it would prevail in demonstrating that claim 32 would have been obvious over Stefik alone or combined with Poggio and/or Sato.

E. Obviousness over Ginter

Petitioner contends that claims 1, 2, 11–14, and 32 would have been obvious over Ginter. '103 Pet. 28–32, 45–79.

Ginter discloses a portable "virtual distribution environment" ("VDE") that can "control and/or meter or otherwise monitor use of

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electronically stored or disseminated information.” Ex. 1015, Abstract;
Fig. 71; 52:26–27.

1. Claims 1, 2, and 11–14

In light of the arguments and evidence, Petitioner has established that it is more likely than not that claims 1, 2, and 11–14 are unpatentable as obvious over Ginter.

We are not persuaded by Patent Owner’s argument that Petitioner has not provided evidence that one of ordinary skill in the art would have modified Ginter in a way to render obvious the claimed subject matter. ’103 Prelim. Resp. 12. For example, Petitioner points to Ginter’s teaching “the known flexibility in such distribution systems, and underscores that one of ordinary skill would have known that combinations between and among disclosures of such distribution systems would have been obvious to one of [ordinary] skill in the art.” ’103 Pet. 30–31 (citing Ex. 1015, 255:22–43; Ex. 1121 ¶ 54, App. D¹⁰). We are, therefore, persuaded that Petitioner has provided sufficiently an articulated reasoning with some rational underpinning to support the conclusion that a person of ordinary skill also would have found claims 1, 2, and 11–14 obvious in light of the teachings of Ginter. *See KSR*, 550 U.S. at 418.

2. Claim 32

Claim 32 requires “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). Petitioner

¹⁰ Appendix D is 88 pages. In future filings, Petitioner should cite the page numbers of the materials on which it relies, as opposed to citing the entire Appendix.

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alleges that the “access rule” “is dependent upon the amount a user is charged to access the VDE content,” but does not explain persuasively why that disclosure teaches “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). In other words, the amount a user is charged to access content may occur after the amount of payment associated with the payment data is forwarded to the payment validation system. Petitioner has not persuaded us that the amount a user is charged is the same amount of payment forwarded to the payment validation system. Petitioner also equates Ginter’s “control information” to the claimed “access rule” (’103 Pet. 76), but also does not explain persuasively how control information is dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

On this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 32 is unpatentable as obvious over Ginter.

F. Additional Grounds Based on Ginter

Petitioner challenges claims 1, 2, 11–14, and 32 as having been obvious over: (1) Ginter and Poggio; (2) Ginter, Stefik ’235, and Stefik ’980; (3) Ginter and Sato; and (4) Ginter, Poggio, Stefik ’235, and Stefik ’980. ’103 Pet. 32–79.

1. Claims 1, 2, and 11–14

For the additional challenges to claims 1, 2, and 11–14 noted above, we decline to proceed on these additional grounds as redundant in light of

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our determination that it is more likely than not that Petitioner would prevail in demonstrating that claims 1, 2, and 11–14 would have been obvious over Ginter. *See* 37 C.F.R. § 42.208(a).

2. *Claim 32*

Petitioner’s challenges to claim 32 as having been obvious over Ginter in combination with the additional references noted above do not cure the deficiency in the challenge with respect to these claims based on obviousness by Ginter alone.

Specifically, Petitioner does not rely on the Stefik references or Sato for the limitation “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Petitioner’s claim chart does refer to disclosure from Poggio for this claim element. As described above in the context of the Stefik references, however, Petitioner fails to persuasively explain why receiving an access rule in response to “payment validation data” or “confirmation that the payment has been made” teaches “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded to the payment validation system*” (emphasis added). For example, Petitioner does not persuasively explain why the amount of the payment that was made is the same amount of payment associated with the payment data *forwarded to the payment validation system*.

Accordingly, Petitioner has failed to establish that it is more likely than not that it would prevail in challenging claim 32 as having been obvious

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over: (1) Ginter and Poggio; (2) Ginter, Stefik '235, and Stefik '980;
(3) Ginter and Sato; and (4) Ginter, Poggio, Stefik '235, and Stefik '980.

CONSOLIDATION

To administer the proceedings more efficiently, we exercise our authority under 35 U.S.C. § 325(d) to consolidate the two proceedings and conduct the proceedings as one trial, for the reasons discussed below. The consolidated trial will continue as CBM2014-00102, with CBM2014-00103 being terminated.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the following proposed grounds:

- A. Claims 1, 11, and 12 as unpatentable pursuant to 35 U.S.C. § 103, over the combination of Stefik '235 and Stefik '980;
- B. Claims 2, 13, and 14 as unpatentable pursuant to 35 U.S.C. § 103, over the combination of Stefik '235, Stefik '980, and Poggio; and
- C. Claims 1, 2, and 11–14 as unpatentable pursuant to 35 U.S.C. § 103 over Ginter.

FURTHER ORDERED that the trial is limited to the grounds identified above. No other grounds are authorized.

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

FURTHER ORDERED that pursuant to 35 U.S.C. §§ 324 and 325(d), Cases CBM2014-00102 and CBM2014-00103 are hereby instituted and consolidated.

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FURTHER ORDERED that all further filings in the consolidated proceedings shall be made only in CBM2014-00102, and the separate proceeding CBM2014-00103 is herein terminated under 37 C.F.R. § 42.72.

FURTHER ORDERED that the case caption for CBM2014-00102 shall be changed to reflect the consolidation in accordance with the attached example.

FURTHER ORDERED that a copy of this Decision be entered into the files of Cases CBM2014-00102 and CBM2014-00103.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

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¹¹ Case CBM2014-00103 has been consolidated with the instant proceeding.

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