

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00102¹
Patent 8,118,221 B2

PATENT OWNER'S NOTICE OF APPEAL

¹ Case CBM2014-00103 has been consolidated with the instant proceeding.

Notice is hereby given, pursuant to 37 C.F.R. § 90.2(a), that Patent Owner Smartflash LLC hereby appeals to the United States Court of Appeals for the Federal Circuit from the *Final Written Decision* entered on September 25, 2015 (Paper 52) and from all underlying orders, decisions, rulings and opinions regarding U.S. Patent No. 8,118,221 (the “’221 Patent”) including the *Decision - Institution of Covered Business Method Patent Review* entered on September 30, 2014 (Paper 8) and the *Order* denying Patent Owner’s request for authorization to file a motion for additional discovery entered on November 13, 2014 (Paper 14).

For the limited purpose of providing the Director with the information requested in 37 C.F.R. § 90.2(a)(3)(ii), Patent Owner anticipates that the issues on appeal may include the following, as well as any underlying findings, determinations, rulings, decisions, opinions, or other related issues:

- Whether the Board erred in finding that claims 1, 11, and 12 of the ’221 Patent are unpatentable under 35 U.S.C. § 103(a) as obvious over the combination of U.S. Patent No. 5,530,235 (“Stefik ’235”) and U.S. Patent No. 5,629,980 (“Stefik ’980”);
- Whether the Board erred in finding that claims 2, 13, and 14 of the ’221 Patent are unpatentable under 35 U.S.C. § 103(a) as obvious over

the combination of Stefik '235, Stefik '980, and European Patent Application, Publication No. EP 0809221 A2 (“Poggio”);

- Whether the Board erred in finding that claims 1, 2, and 11-14 of the '221 Patent are unpatentable under 35 U.S.C. § 103(a) as obvious over U.S. Patent No. 5,915,019 (“Ginter”);
- Whether the Board erred in denying Patent Owner’s Motion to Exclude (Paper 42);
- Whether the Board erred in finding that the subject matter of the ‘221 Patent is directed to activities that are financial in nature and in instituting Covered Business Method review of the ‘221 Patent; and
- Whether the Board erred in denying Patent Owner’s request for discovery.

Copies of this Notice of Appeal are being filed simultaneously with the Director, the Patent Trial and Appeal Board, and the Clerk of the United States Court of Appeals for the Federal Circuit.

Any required fee may be charged to Deposit Account No. 501860.

Dated: November 25, 2015

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that this PATENT OWNER'S NOTICE OF APPEAL was filed with the Patent Trial and Appeal Board using the PRPS System and was served, by agreement of the parties, November 25, 2015, by emailing copies to counsel for the Petitioner as follows:

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The undersigned hereby further certifies that on November 25, 2015 this PATENT OWNER'S NOTICE OF APPEAL (and its three attached decisions) were filed with the Federal Circuit via CM/ECF (along with three courtesy copies by hand delivery) and two (2) copies were served on the U.S. Patent and Trademark Office via in-hand delivery as follows:

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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 CBM2014-00102¹
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge.*

FINAL WRITTEN DECISION

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

¹ Case CBM2014-00103 has been consolidated with this proceeding.

I. 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 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. CBM2014-00102 (Paper 2, “102 Pet.”) and CBM2014-00103 (Paper 2, “103 Pet.”).² On September 30, 2014, we consolidated CBM2014-00102 and CBM2014-00103 and instituted a transitional covered business method patent review (Paper 8, “Decision to Institute” or “Dec.”) based upon Petitioner’s assertion that claims 1, 2, and 11–14 are unpatentable based on the following grounds:

Reference[s]³	Basis	Claims Challenged
Stefik ’235 ⁴ and Stefik ’980 ⁵	§ 103(a)	1, 11, and 12
Stefik ’235, Stefik ’980, and Poggio ⁶	§ 103(a)	2, 13, and 14
Ginter ⁷	§ 103(a)	1, 2, and 11–14

² Unless otherwise specified, paper numbers refer to paper numbers in CBM2014-00102.

³ Exhibits with numbers 1001–1035 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.

⁴ U.S. Patent No. 5,530,235 (Ex. 1013, “Stefik ’235”).

⁵ U.S. Patent No. 5,629,980 (Ex. 1014, “Stefik ’980”).

⁶ European Patent Application, Publication No. EP 0809221 A2 (Ex. 1016, “Poggio”).

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

Dec. 24. Petitioner provides declarations from Anthony J. Wechselberger (102 Pet., Ex. 1021; 103 Pet., Ex. 1121) and Patent Owner provides a declaration from Dr. Jonathan Katz (Ex. 2028).

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, 2, and 11–14 of the '221 patent are unpatentable.

B. 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 a 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.”).

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the ’221 patent and identify the following district court case: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.). *See, e.g.*, 102 Pet. 20; Paper 5, 2. Patent Owner indicates that the ’221 patent and other patents in the same patent family are the subject of a several other district court cases. Paper 36, 3–4.

In addition to the 102 and 103 Petitions, Apple and several other Petitioners have filed numerous other Petitions for covered business method patent review challenging claims of the ’221 patent and other patents owned by Smartflash that disclose similar subject matter.

D. The Instituted Claims

As noted above, we instituted review of claims 1, 2, and 11–14. Of those, claims 1 and 12 are independent. Claims 2 and 11 depend from claim 1 and claims 13 and 14 depend either directly or indirectly from claim 12. Claims 1 and 12 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 26:42–48.

II. ANALYSIS

A. *Wechselberger Declarations*

In its Preliminary Response, Patent Owner argued that we should disregard Mr. Wechselberger’s testimony, but we determined that Patent Owner did not offer any evidence that Mr. Wechselberger “used incorrect criteria, failed to consider evidence, or is not an expert in the appropriate field.” Dec. 4 n.8. Patent Owner renews this contention, arguing in its Response that both declarations by Mr. Wechselberger (Ex. 1021; Ex. 1121) should be given little or no weight because they do not state the evidentiary

standard that he used in arriving at his conclusions and, therefore, he “used incorrect criteria.” Paper 26 (“PO Resp.”) 4–7. In addition, referring to excerpts from Mr. Wechselberger’s deposition, Patent Owner contends that Mr. Wechselberger “could neither articulate what the difference was between ‘substantial evidence’ and ‘preponderance of the evidence,’ nor could he articulate which standard he was supposed to use when alleging invalidity of claims in a patent.” *Id.* at 5. Thus, according to Patent Owner, should we afford any weight to Mr. Wechselberger’s testimony, we would be accepting his opinion without knowing “‘the underlying facts . . . on which the opinion is based’ (i.e., how much evidence he thinks show any of his opinions discussed therein).” *Id.* at 7.

In its Reply, Petitioner argues that “Mr. Wechselberger is a highly-qualified expert,” that Patent Owner offers no evidence disputing that he is a qualified expert, and that an expert is not required to recite or apply the “preponderance of evidence” standard expressly in order for the expert testimony to be accorded weight.” Paper 34 (“Reply”), 24–25.

Patent Owner has not articulated a persuasive reason for giving Mr. Wechselberger’s declarations, as a whole, little or no weight in our analysis. Patent Owner has not cited any authority requiring an expert to recite or apply the “preponderance of the evidence” standard in order for the expert opinion to be accorded weight. Under 37 C.F.R. § 42.1(d), we apply the preponderance of the evidence standard in determining whether Petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded the evidence presented, including expert opinion, based on the disclosure of the underlying facts or data upon which that opinion is based. Thus, we decline to make a

determination about Mr. Wechselberger's opinion, as a whole. Rather, in our analysis we will consider, as it arises, relevant portions of Mr. Wechselberger's testimony and determine the appropriate weight to accord that particular testimony.

B. Katz Declaration

Petitioner contends that "Dr. Katz's unsupported opinions, to the extent they are given any weight at all, should be given far less weight than Mr. Wechselberger's." Reply 20. Specifically, Petitioner argues that Dr. Katz is not qualified as a person of ordinary skill in the art under either party's definition, he repeatedly stated that "he was 'not sure' about various technologies that are indisputably in the relevant prior art, and that he does not know what a POSITA would have understood about that technology," and he repeatedly stated that "he was 'not sure' how a POSITA would interpret several passages of the cited prior art and several passages of the challenged patent[]." *Id.* at 20–22. Thus, according to Petitioner, "Dr. Katz (a) does not know this information and is therefore not a qualified expert; and/or (b) did not properly consider the scope and content of the prior art or a POSITA's understanding of the prior art." *Id.* at 24.

We decline to make a determination as to Dr. Katz's testimony, as a whole. As noted above, we have the discretion to determine the appropriate weight to be accorded to the evidence presented, including expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Thus, as with Mr. Wechselberger's opinion, in our analysis we will consider relevant portions of Dr. Katz's testimony as it arises and determine the appropriate weight to accord that particular testimony.

C. Claim Construction

We construe all terms, whether or not expressly discussed here, using the broadest reasonable construction in light of the '221 patent specification. 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 '221 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 term "payment data."

Petitioner asserts that "[f]or review purposes, [payment data] is construed to mean 'data representing *payment made* for requested content data' and is distinct from 'access control data.'" 102 Pet. 22; 103 Pet. 24 (emphasis added). Patent Owner disagrees, arguing that the term "payment data" should be interpreted to mean "data that *can be used to make payment* for content." PO Resp. 8 (emphasis added).

Although Petitioner and Patent Owner disagree on the proper broadest reasonable construction of the term "payment data," their proposed constructions are similar in that they both incorporate an element of timing. The main dispute between the parties relates to this timing element. Specifically, the parties' proposed constructions differ in how "payment data" relates to the actual payment operation. Petitioner asserts that the claimed "payment data" "encompasses data relating to either *current* or *past* payment." Reply 3–4. Patent Owner, on the other hand, argues that the '221 payment discloses that payment data exists *prior to* the payment operation. PO Resp. 8.

We are persuaded that the broadest reasonable interpretation of the term "payment data," encompasses *both* Petitioner's *and* Patent Owner's

definitions of the term—it encompasses data relating to *future, current, and past* payments. In other words, we are persuaded that the '221 patent does *not* incorporate an element of timing into the definition of payment data. First, the plain and ordinary meaning of the two words that make up the term—“payment” and “data”—do not incorporate any notion of time and nothing about their combination changes that determination.

Second, we agree with both parties that language in the '221 patent supports “payment data” representing data existing *prior to, concurrent with, and after* payment of the requested content. For example, the '221 patent states that “payment data for making a payment to the system owner is received from the smart Flash card by the content access terminal and forwarded to an e-payment system.” Ex. 1001, 20:59–62. We agree with Patent Owner that this language indicates that payment data exists *prior to* the payment being made for the requested content. *See* PO Resp. 8. Petitioner does not address this language. *See* Reply 3–5. In addition, we agree with Petitioner that the language in the '221 patent, “payment data received may either be data relating to an actual payment made to the data supplier, or it may be a record of a payment made to an e-payment system,” (Ex. 1001, 6:60–63) clearly shows that “payment data” includes data for payments that have *already been made*. *See* Reply 3–5.

Moreover, the plain and ordinary meaning of data does not allow for a change in the character of that data based on when it is used in a transaction. For example, a credit card number may qualify as “data relating to payment” before that credit card number is processed, while the credit card number is being processed, and after the credit card number is processed. Thus, without an express description to the contrary, we presume that “payment

data” retains the same meaning *before, during, and after* the payment operation. Neither party points to persuasive evidence of any such contrary description.

In fact, the ’221 patent broadly describes “payment data” in several places as “comprising data relating to payment for the requested data item.” Ex. 1001, 6:51–53, 10:26–30, 10:39–41, 10:44–46. This is consistent with the plain meaning of the term. Thus, we are persuaded that the broadest reasonable interpretation of “payment data” in light of the specification of the ’221 patent is “data relating to payment for the requested data item.”

*D. Obviousness Over Stefik ’235 and Stefik ’980*⁸

1. Overview of Stefik ’980

Stefik ’980 teaches a system for controlling use and distribution of digital works by attaching “usage rights” to the work and storing it in a “secure repository.” Ex. 1014, 3:51–61. Each repository allows for secure and trusted communications and “has two primary operating modes, a server mode and a requester mode.” *Id.* at 4:9–10, 7:41–43. In server mode, a repository receives access requests for digital works and responds to those requests by examining the work’s usage rights. *Id.* at 4:10–24, 7:46–48. In requester mode, a repository requests access to a digital work from another repository. *Id.* at 4:10–13, 7:48–49. Stefik ’980 discloses that “a repository

⁸ Petitioner refers to Stefik ’235 and Stefik ’980, collectively, as “Stefik.” Pet. 27. Petitioner contends that “[b]ecause Stefik ’235 incorporates Stefik ’980 by reference, they should be considered a single reference,” and additionally provides rationale for the combination the combination of the teachings of Stefik ’235 and Stefik ’980. 102 Pet. 26 n.13. In its Response, Patent Owner does not dispute Petitioner’s contentions regarding “Stefik” being a single reference, or Petitioner’s rationale for combining the teachings of Stefik ’235 and Stefik ’980. *See* PO Resp. 10–22.

may be embedded in some other device,” for example, “a ‘card’ that is inserted into an available slot in a computer system.” *Id.* at 16:54–58.

Figure 12 of Stefik '980 is reproduced below.

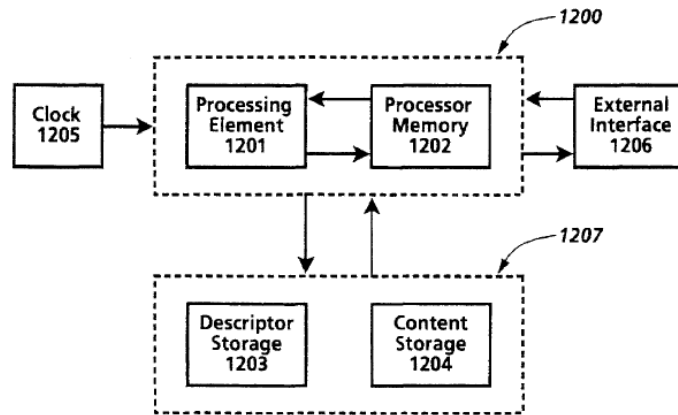


Fig.12

Figure 12 is a block diagram of the hardware components of a repository. *Id.* at 5:4–6. The components include processing means 1200, clock 1205, external interface 1206, and storage system 1207. *Id.* at 14:11–13.

Processing means 1200 is comprised of processor element 1201, which may be a microprocessor or other suitable computing component, and processor memory 1202, which typically contains the software instructions used by processor element 1201 in performing the functions of the repository. *Id.* at 14:13–27.

Figure 1 of Stefik '980 is reproduced below.

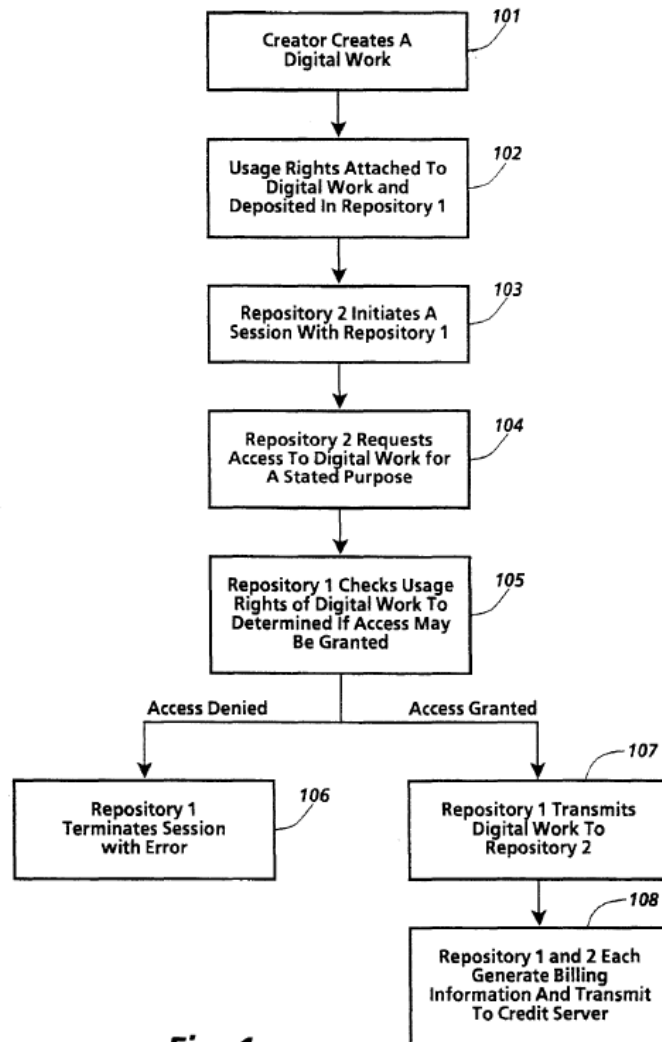


Fig. 1

Figure 1 is a flowchart demonstrating the basic operation of the system disclosed by Stefik '980. *Id.* at 4:38–40, 7:6–8. First, in step 101, a digital work is created and, in step 102, its creator attaches the appropriate usage rights and fees to the work and stores it in a first repository—Repository 1 (i.e., a supplying repository). *Id.* at 7:8–11. Later, in step 103, a second repository—Repository 2—operating in requester mode (i.e., a requesting repository), requests access to the stored digital work by initiating a session with Repository 1 and includes with its request, a stated purpose for the

digital work corresponding to a specific usage right—step 104. *Id.* at 7:11–24. In step 105, Repository 1, operating in server mode, checks the usage rights associated with the requested digital work to determine if access may be granted to Repository 2. *Id.* at 7:24–29. If access is denied, Repository 1 terminates the session with an error message—step 106. *Id.* at 7:29–31. If access is granted, Repository 1 transmits the digital work to Repository 2—step 107—followed by each of Repository 1 and 2 generating billing information to transmit to a credit server—step 108. *Id.* at 7:31–37.

2. *Overview of Stefik '235*

Stefik '235 teaches a portable Document Card (“DocuCard”) for storing information in a digital form, storing usage rights for that information, processing user-initiated functions and requests to access the stored information, interfacing to external devices for reading and writing digital information, and allowing a user to directly interact with the DocuCard. Ex. 1013, 2:29–40, 7:35–42.

As noted above, the repositories described in Stefik '980 may be embedded in a card. Ex. 1014, 16:54–58. In fact, Stefik '235 discloses that “[t]he currently preferred embodiment of a DocuCard is an instance of a repository, as defined in [Stefik '980].” Ex. 1013, 2:47–53. Stefik '235, thus, states that the “user interface of the present invention enables a user to interact with a DocuCard to manage the contents contained therein, as well as to obtain Documents stored in other repositories” and describes the “general steps for accessing a document stored in another repository.” *Id.* at 2:53–67.

Figure 3 of Stefik '235 is reproduced below.

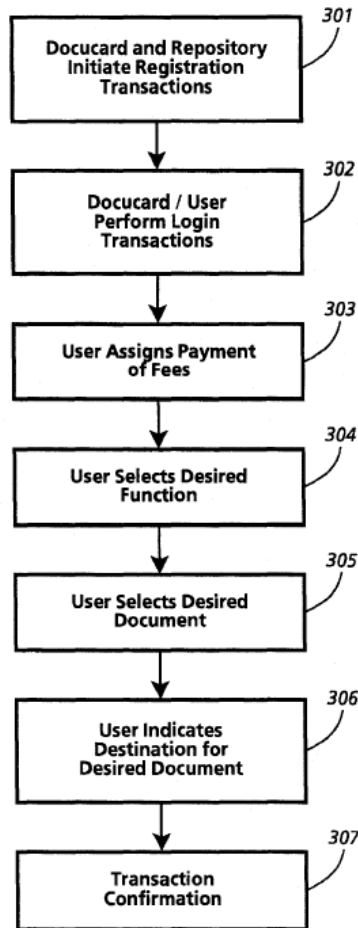


Fig. 3

Figure 3 is a “flowchart describing the interaction between a DocuCard anti a repository in the course of accessing a document stored in the repository.” Ex. 1013, 6:45–47. The establishment of an electrical connection between the DocuCard and repository triggers automatic registration process 301, by which the two establish a secure and trusted session. *Id.* at 6:47–59. Following registration, login transaction 302 is performed by a user, typically by entering a Personal Identification Number (PIN). *Id.* at 6:60–65. Step 302 “may also activate credit accounts.” *Id.* Next, in step 303, the user “uses the user interface to assign payment of any fees associated with

the transaction to be executed” and “the acceptance of fees by the repository may be a prerequisite to the continuation of the process.” *Id.* at 6:66–7:4. The following steps, 304–307, allow the user of the DocuCard to select documents and functions from the repository. *Id.* at 7:5–16.

3. Claims 1, 11, and 12

Petitioner asserts that claims 1, 11, and 12 would have been obvious over the combination of Stefik ’235 and Stefik ’980. 102 Pet. 40–69. Specifically, Petitioner asserts that Stefik ’980 describes a system of multiple repositories, acting in different capacities, which are in communication and transporting data amongst each other. 102 Pet. 41 (citing Ex. 1014, Abstract, Figs. 1–4b, 13:43–46). Pointing to Figure 2 of Stefik ’980, Petitioner asserts that a repository may act as an exchange medium for digital works—the claimed data access terminal—with one repository acting as a data supplier and another repository acting as a data carrier. *Id.* at 41–42. Petitioner relies on Stefik ’235 for its disclosure that the portable device called a DocuCard is a type of repository. *See, e.g., id.* at 26 n.13.

In the Decision to Institute, we determined that Petitioner had shown a likelihood of prevailing on this proposed ground of unpatentability. Dec. 15. In particular, we determined that Petitioner was more likely than not to prevail on its assertions that the combination of Stefik ’235 and Stefik ’980 disclosed every limitation of claims 1, 11, and 12. *Id.* We also found reasonable Petitioner’s asserted rationale that a person of ordinary skill would have combined the teachings of Stefik ’235 and Stefik ’980 based on the explicit teachings in both references. *Id.* (citing Ex. 1013, 2:47–52; Ex. 1014, 16:56–58; Ex. 1021 ¶ 56).

We have reviewed Petitioner's obviousness arguments and supporting evidence, including the disclosure of both Stefik references and the detailed claim chart appearing on pages 41–69 of the Petition. Despite the counter-arguments in Patent Owner's Response, and the evidence cited therein, which we also have considered, for the reasons discussed below, Petitioner has shown, by a preponderance of the evidence, that each of claims 1, 11, and 12 is unpatentable under 35 U.S.C. § 103 as having been obvious over the combination of Stefik '235 and Stefik '980.

a. "data carrier"

Rather than challenging the merits of Petitioner's theory of obviousness based on the disclosures of the prior art references, Patent Owner takes the position that the Petition is flawed because it "is inconsistent with regard to those elements of Stefik that it alleges correspond to the 'data carrier' of the '221 patent." PO Resp. 11, 17.

We are not persuaded that Petitioner's position as to which component of Stefik teaches the claimed "data carrier" is unclear such that it has not shown by a preponderance of the evidence that claims 1, 11, and 12 would have been obvious over the combination of Stefik '235 and Stefik '980. Petitioner replies that Stefik '980 discloses multiple embodiments and argues that the Petition explains that several of those embodiments would have made the claimed subject matter obvious to a person of ordinary skill in the art. 102 Pet. 44 n.14; Reply 10. We agree that the Petition sufficiently describes how at least one embodiment described by Stefik '980 teaches the claimed "data carrier."

For example, Petitioner explains that it would have been obvious to a person of ordinary skill in the art to implement the operation described by

Figure 1 of Stefik '980 using the hardware components described by Figure 12 of Stefik '980. 102 Pet. 42; Reply 10 (citing Ex. 1021, (App'x D) 61–62). Specifically, the Petition maps processing means 1200, depicted in Stefik '980's Figure 12, used in Repository 2, depicted in Stefik '980's Figure 1 (the requesting repository), to the claimed “data access terminal,” which, as taught by Stefik '235, may be implemented using a DocuCard. Reply 10 (citing 102 Pet. 42–45); *see also*, Pet. 44 n.14. The Petition further maps Stefik '980's storage system 1207, depicted in Stefik '980's Figure 12, used in Repository 2, depicted in Stefik '980's Figure 1, to the claimed “data carrier.” *Id.* In this example, content is retrieved from Repository 1 (the supplying repository). *Id.*

We agree with Petitioner that the Petition is sufficiently clear in explaining, and shows by a preponderance of the evidence, that a person of skill in the art would understand that the storage system of a repository operating in requesting mode discloses the claimed data carrier and that any such repository could be embedded in a removable card, such as the DocuCard described by Stefik '235. 102 Pet. 42–45; Ex. 1021, (App'x D) 61–65.⁹

b. “payment data”

Patent Owner argues that the Petition “does not prove how the alleged ‘payment data’ is being transferred.” PO Resp. 13. Patent Owner asserts that the Petition does not specify “which DocuCard is being read from and which is allegedly acting as a data carrier” nor does it identify “what the ‘transaction identifiers, identifiers for repositories involved in the

⁹ In this decision, when referring to Appendix D of Exhibit 1021, page numbers correspond to the numbers in the bottom, center of each page.

transaction, and lists of charges for the transaction’ allegedly are such that one can verify that that [sic] they really are being read from the same data carrier as the ‘retrieved data’ is eventually written.” *Id.* at 13–14 (citing 102 Pet. 54; Ex. 2028 ¶ 21). Patent Owner then identifies various alleged deficiencies in the Petition including that: (1) the Petition cites to, but doesn’t explain the relevance of “various ‘logging in’ steps” (*id.* at 14 (citing 102 Pet. 55–56)); (2) the Petition doesn’t clearly define what it means to “activate credit accounts” (*id.* (citing 102 Pet. 56)); (3) “how that the bank account information is allegedly used is unclear” (*id.* at 15 (citing 102 Pet. 54)); (4) fee information is not known in step 303 of Figure 3 “because no document or function has yet been selected that might incur a fee” (*id.* at 14–15); and (5) Stefik’s embodiment with the credit server acting as a debit card “is not discussing ‘real-time’ transactions” and instead is discussing post-usage processing (*id.* at 15–16 (citing 102 Pet. 45, 76–77)).

We are not persuaded that any of Patent Owner’s alleged “deficiencies” in the Petition make Petitioner’s position unclear such that it has not shown by a preponderance of the evidence that claims 1, 11, and 12 would have been obvious over the combination of Stefik ’235 and Stefik ’980. First, it is clear from the disclosure of Stefik ’235 that logging steps, activating credit accounts, and using bank account information are simply a part of a payment processing and validation scheme used by a particular embodiment of Stefik’s disclosed system. *See, e.g.*, Ex. 1013 6:60–7:4; Ex. 1014, 29:58–30:36.

Second, although Patent Owner does not explain the relevance of its arguments that “fee information is not known is step 303 of Figure 3,” or that “Stefik’s embodiment with the credit server acting as a ‘debit card’ is

not discussing ‘real-time’ transactions,” we presume these arguments refer to Patent Owner’s proposed construction of “payment data,” which would limit that term to data existing *prior to* the payment operation. *See, e.g.*, Paper 51 (“Tr.”), 77:10–78:14 (Patent Owner discussing Stefik’s teaching of “payment data” at the hearing in virtually the same context in the IPR2015-00112 and conceding that if we do not adopt its construction of “payment data” proceeding and instead adopt Petitioner’s construction, it has no remaining argument as to why Stefik does not teach “payment data.”). As explained above, we do not adopt this limited construction, but instead construe “payment data” as “data relating to payment for the requested data item.” Using this construction, we are not persuaded that Patent Owner’s arguments related to the timing of “payment data” in relation to the actual payment operation are relevant.

More importantly, Patent Owner does not persuasively address the ultimate issue here. The relevant inquiry is whether the transfer of payment data, as claimed, would have been obvious to those of ordinary skill in the art in light of the combined teachings of Stefik ’235 and Stefik ’980. *See Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007). Petitioner asserts that a person of ordinary skill in the art would have understood the Stefik references to teach the acceptance of fees and payments for digital works and, to support this assertion, points to the express disclosure that “billing transactions were well understood in the state of the art.” 102 Pet. 54–55 n.26; Ex. 1014, 29:61–64; *see also* Ex. 1021, (App’x D) 79–82. Indeed, Patent Owner’s expert, Dr. Katz, acknowledged that a person of ordinary skill would have understood the basics of payment validation. *See, e.g.*, Ex. 1031, 16:15–27:9. Patent Owner does not point to

anything in the claim language indicating that such basic payment processing and validation is outside the scope of the claims. Thus, we are persuaded that a person of ordinary skill would find the Stefik references sufficiently teach payment processing and validation such that the claimed subject matter relating to transferring payment data would have been obvious.

4. Conclusion

We conclude that Petitioner has shown by a preponderance of the evidence that claims 1, 11, and 12 of the '221 Patent would have been obvious over Stefik '235 and Stefik '980.

E. Obviousness Over Stefik '235, Stefik '980, and Poggio

Petitioner asserts that claims 2, 13, and 14 would have been obvious over the Stefik references combined with Poggio. 102 Pet. 73–79. Petitioner asserts that “Poggio teaches 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 benefit to Stefik’s repository system.” 102 Pet. 34 (citing Ex. 1014 2:66–3:1; Ex. 1016 2:32–36; Ex. 1021 ¶¶ 59–62).

In the Decision to Institute, we determined that Petitioner had shown a likelihood of prevailing on this proposed ground of unpatentability. Dec. 16–17. In particular, we determined that Petitioner was more likely than not to prevail on its assertions that the combination of Stefik '235, Stefik '980, and Poggio disclosed every limitation of claims 2, 13, and 14. *Id.* We also found reasonable Petitioner’s asserted rationale that a person of ordinary skill would have combined the teachings of Stefik '235, Stefik '980, and

Poggio based on the benefit to Stefik's system of Poggio's teaching that content transactions can be done with minimal action from the vendor and also that payment validation processes can be automatically executed from stored code. 102 Pet. 34 (citing Ex. 1014, 2:66–3:1; Ex. 1016, 2:32–36; Ex. 1021 ¶¶ 59–62).

We have reviewed Petitioner's obviousness arguments and supporting evidence, including the disclosure of both Stefik references and Poggio and the detailed claim chart appearing on pages 74–79 of the Petition. Despite the counter-arguments in Patent Owner's Response, and the evidence cited therein, which we also have considered, for the reasons discussed below, Petitioner has shown, by a preponderance of the evidence, that each of claims 2, 13, and 14 is unpatentable under 35 U.S.C. § 103 as having been obvious over the combination of Stefik '235, Stefik '980, and Poggio.

1. Overview of Poggio

Poggio discloses a “[v]irtual vending system and method for managing the distribution, licensing and rental of electronic data.” Ex. 1016, Title. Figure 1 of Poggio is reproduced below.

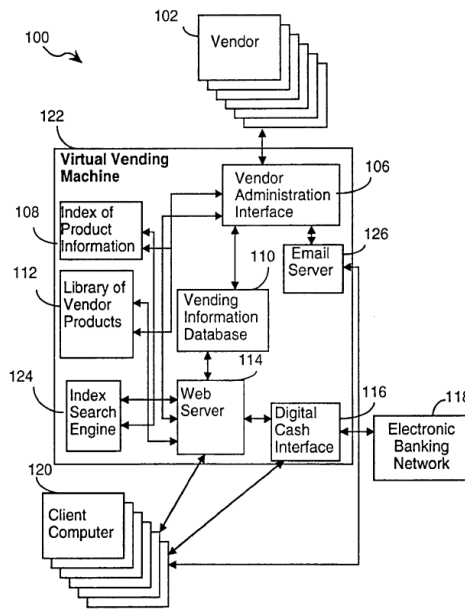


FIG. 1

Figure 1 is a block diagram of an embodiment of a distributed computer system incorporating Poggio's system. Virtual vending machine 122 includes several components, including vending information database 110, web server 114, digital cash interface 116, and electronic invoices 222. Ex. 1016, 4:57–5:13. Digital cash interface 116 is connected to electronic banking network 118, which is a communications link to “financial institutions such as banks, automatic clearing houses, and the like.” *Id.* at 6:17–20.

To order a particular digital work, a user selects the desired license and adds a credit card number (or other form of payment authorization), which is encrypted and forwarded to web server 114. *Id.* at 9:20–10:4. Web server 114 attaches a confirmation number and transmits the invoice to digital cash interface 116, which reformats the invoice and transmits to electronic banking network 118 for processing of the transaction. *Id.* at 10:4–10. Digital cash interface 116 awaits an indication from electronic banking network 118 signifying successful completion of the payment

transaction, which indication is forwarded to web server 114. *Id.* at 10:11–15. The purchased product is then transmitted to the user. *Id.* at 10:15–25.

2. *Claim 2*

Claim 2 depends from claim 1 and further includes “code to transmit at least a portion of the payment validation data to the data supplier or to a destination received from the data supplier.” Petitioner relies on either Stefik ’980 or Poggio as teaching this limitation. 102 Pet. 74–76. Specifically, Petitioner argues that Stefik ’980 discloses examples in which the credit server is an integrated component of a data supplier, and to which the payment validation data is sent. *Id.* at 74. Petitioner also argues that Poggio’s virtual vending machine transmits payment validation data to a web server or vending information database—which equate to a data supplier. *Id.* at 75.

Patent Owner argues that the Petition maps the term “payment validation data” in its discussion of claim 2 inconsistently from its discussion of claim 1. PO Resp. 17–18. According to Patent Owner, Petitioner maps “payment validation data” to Stefik ’980’s billing information for claim 2, but maps that same claim element to “acceptance of assigned fees” for claim 1. *Id.* at 18. Patent Owner also argues that Stefik ’980 does not disclose a single “credit server to which both repositories in a transaction report the validation data.” *Id.* at 18. According to Patent Owner, because the billing information “is not sent to the same credit server by both repositories, Stefik does not teach the limitation of claim 2.” *Id.* at 19. Patent Owner also argues that the Petition has not sufficiently shown that Poggio sends payment validation data to the data supplier. *Id.* at 19–21.

We are persuaded that at least Poggio explicitly discloses the limitation “code to transmit at least a portion of the payment validation data to the data supplier or to a destination received from the data supplier.” For example, Poggio states that it “awaits . . . an indication from the electronic banking network 118 signifying successful completion of the payment transaction (i.e., credit card or electronic funds transfer transaction)” and that “[t]his indication is forwarded to the web server,” which is clearly shown in Figure 1 as being a component of the virtual vending machine—the data supplier. Ex. 1016, 10:11–15 (describing step 712 of Figure 7—“Await for acknowledgment of completed payment transaction”); Reply 11–12.

Further, we are persuaded that the Petition is sufficiently clear in its description of this ground that Petitioner has shown by a preponderance of the evidence that claim 2 would have been obvious over the combination of Stefik ’235, Stefik ’980, and Poggio. Petitioner explains that Poggio discloses:

The data access terminal (e.g., virtual vending machine) transmits payment validation data (e.g., indication from the electronic banking network signifying successful completion of the payment transaction) received from the payment validation system (e.g., electronic banking network) to a data supplier (e.g. web server; vending information database).

102 Pet. 75 (emphases omitted). Moreover, Petitioner’s claim chart for claim 2 refers specifically to the language of Poggio quoted above. *Id.* at 76. This section of the claim chart also refers to both Figure 1 and Figure 7 of Poggio. *Id.*

3. Claims 13 and 14

Claim 13 depends from claim 12 and, similar to claim 2, further recites “transmitting at least a portion of the payment validation data to the

data supplier.” Claim 14 depends from claim 13. Petitioner relies on the same portions of Stefik ’980 and Poggio as teaching this limitation as it does for claim 2. 102 Pet. 76–79. Patent Owner argues that Petitioner has not made its case regarding this limitation for the same reasons as it argues for claim 2. PO Resp. 22. For the reasons discussed above, we are not persuaded by Patent Owner’s arguments.

4. Conclusion

We conclude that Petitioner has shown by a preponderance of the evidence that claims 2, 13, and 14 of the ’221 Patent would have been obvious over Stefik ’235, Stefik ’980, and Poggio.

F. Obviousness Over Ginter

Petitioner asserts that claims 1, 2, and 11–14 would have been obvious over Ginter. 103 Pet. 44–73. In the Decision to Institute, we determined that Petitioner had shown a likelihood of prevailing on this proposed ground of unpatentability. Dec. 21. In particular, we determined that Petitioner was more likely than not to prevail on its assertions that the person of ordinary skill in the art would have found the claimed subject matter obvious in light of the teachings of Ginter. *Id.*

We have reviewed Petitioner’s obviousness arguments and supporting evidence, including the disclosure of Ginter and the detailed claim chart appearing on pages 44–73 of the Petition. Despite the counter-arguments in Patent Owner’s Response, and the evidence cited therein, which we also have considered, for the reasons discussed below, Petitioner has shown, by a preponderance of the evidence, that each of claims 1, 2, and 11–14 is unpatentable under 35 U.S.C. § 103 as having been obvious over Ginter.

1. Overview of Ginter

Ginter discloses a “virtual distribution environment” (“VDE”) that secures, administers, and audits electronic information for users of computers and other electronic appliances. Ex. 1015, 2:21–34. It “allows the owners and distributors of electronic digital information to reliably bill for, and securely control, audit, and budget the use of, electronic information.” *Id.* at 3:20–22. Figure 8 of Ginter is reproduced below.

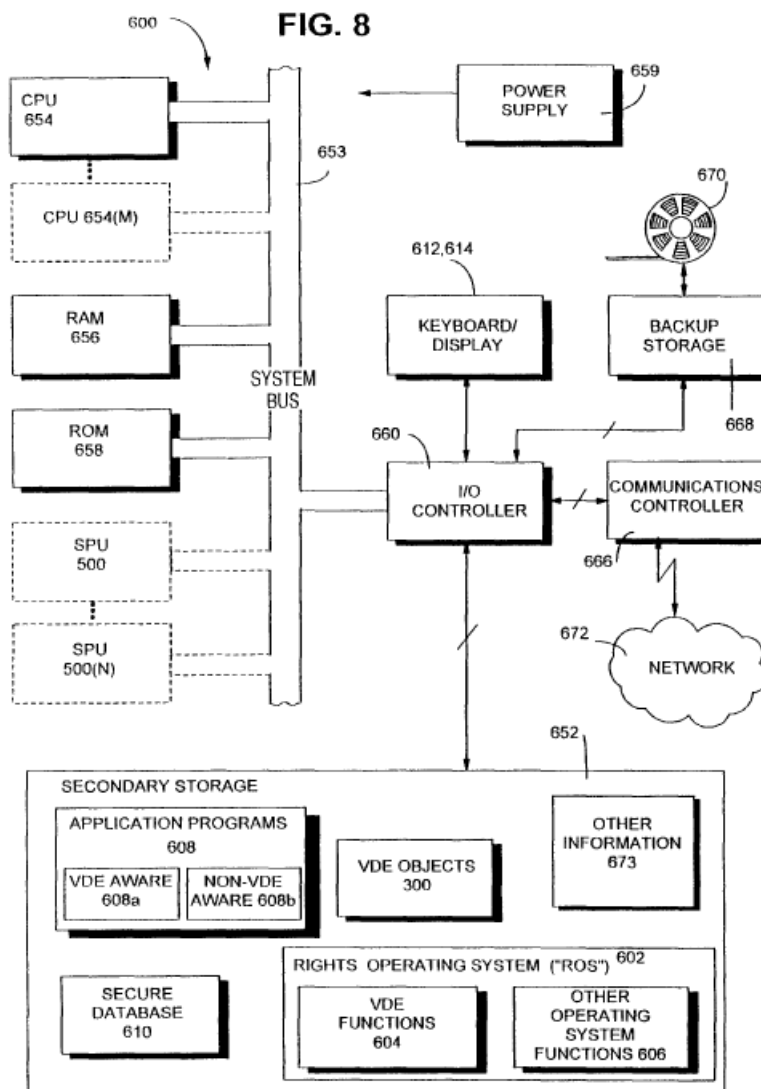


Figure 8 is a block diagram of an electronic appliance. *Id.* at 50:23–24. Secondary storage 652 stores code and data used by CPU 654 and/or SPU 500 to control overall operation of electronic appliance 600 and may contain one or more VDE objects 300 (electronic digital information). *Id.* at 50:63–64, 62:12–58. SPU 500 “may also perform secure data management processes including governing usage of, auditing of, and where appropriate, payment for VDE objects 300 (through the use of prepayments, credits, real-time electronic debits from bank accounts).” *Id.* at 63:34–41.

Ginter also describes a “Portable Electronic Appliance” (“PEA”), which may be the size of a credit card that stores, provides access to, and maintains digital content. *Id.* at 228:36–41, 229:18–24.

2. *Claims 1 and 11*

The only dispute during the trial with respect to claims 1 and 11 was whether Ginter renders obvious the limitations involving payment data—“code to read payment data from the data carrier and to forward the payment data to a payment validation system” (PO Resp. 23), “code to receive payment validation data from the payment validation system” (PO Resp. 24), and “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier” (PO Resp. 26).

For each of these limitations, Patent Owner argues that the timing of Ginter’s payment system does not make it a suitable obviousness ground. PO Resp. 22–27. Specifically, Patent Owner argues that “Ginter is consistently directed to post-usage” tracking of digital purchases and “to change from post-usage tracking to pre-purchase processing would change the principle upon which Ginter works.” PO Resp. 23–24. Patent Owner

adds that Petitioner has not “provided any motivation for modifying the teachings of Ginter” such that it may be used to pay for currently-requested digital works. *Id.* at 26.

We are not persuaded that Ginter’s disclosure is so restricted. At a minimum, we are persuaded that a person of ordinary skill would have found it obvious to modify Ginter to use payment in pre-purchase processing. For example, Ginter teaches processes that include “governing usage of, auditing of, and where appropriate, *payment for VDE objects 300 (through the use of prepayments, credits, real-time electronic debits from bank accounts and/or [other deposit accounts]).*” Ex.1015, 63:34–41 (emphasis added). Patent Owner argues that this disclosure relates, not to payments for a particular VDE content object, but rather to payment “for content at some future time when a VDE object has actually been selected and the budget has been used and the metering has occurred.” Tr. 79:13–80:19, 81:19–21 (“it is not an indication, even if it says real-time, that it is real-time for use of the VDE object that is being requested.”). Although we agree with Patent Owner that this is one way of reading the quoted language of Ginter, we are not persuaded that it is the only reading or even the most natural reading of this passage.

Nor are we persuaded that it would require a change in the principle of operation of Ginter to allow for prepayment of content. Patent Owner does not explain in their brief what they mean by “principle of operation,” and instead simply cites to *In re Ratti*, 270 F.2d 810, 812–13 (CCPA 1959). In *Ratti*, the court held that it would not be obvious to replace a “cylindrical sheet metal reinforcing member” in a seal with “an annular set of outwardly biased spring fingers” because to do so “would require a substantial

reconstruction and redesign of the elements shown in” the seal “as well as a change in the basic principles under which the [seal’s] construction was designed to operate.” The timing of payment in a distribution system such as Ginter does not “require a substantial reconstruction and redesign,” but instead is a minor variation in basic payment processing and validation that would be well within the understanding of a person of ordinary skill. *See, e.g.*, Ex. 1014, 29:61–64; Ex. 1031, 16:15–27:9. We are, therefore, persuaded that a skilled artisan would, at a minimum, find prepayment for digital content obvious based on the explicit teachings of Ginter.

This is especially true given that, as we explained in the Decision to Institute, Ginter describes significant flexibility of its system stating that “[a]ll participants of VDE 100 have the innate ability to participate in any role” and “[r]oyalty payments for the new works may be accessed by the publisher, distributors, or end-users, and may be tracked and electronically collected at any stage of the chain.” Dec. 21; Ex. 1015, 255:22–43. We found this disclosure supported Petitioner’s assertion that “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.” Dec. 21 (quoting 103 Pet. 30–31). Patent Owner does not address this contention, which we continue to find persuasive.

a. “code to read payment data from the data carrier and to forward the payment data to a payment validation system”

Petitioner asserts that Ginter discloses “audit information” that is used to process payments. 103 Pet. 51–53; Reply 16–17. In addition, Petitioner asserts that “Ginter discloses paying for VDE content objects with ‘real-time

debits from bank accounts.” 103 Pet. 51–52 n.18 (quoting Ex. 1015, 63:34–41); Reply 16–18. According to Petitioner, a person of ordinary skill would have found it obvious to “apply Ginter’s teaching of using audit information as payment data to a real-time transaction in order to reflect payment for a currently-requested VDE object.” *Id.*

Patent Owner argues that Petitioner has not shown obviousness because “audit information is for tracking post-usage information, not current purchase information” and the disclosure of “real-time debits from bank accounts” could be used “in post-usage transactions.” PO Resp. 23–24, 26 (citing Ex. 2028 ¶¶ 36, 39).

Petitioner responds that Ginter teaches that audit information includes “an electronic funds transfer against the user’s bank account or some other bank account” (Ex. 1015, 179:57–60) and “collecting payments, etc.” (*id.* at 281:33–39).¹⁰ Reply 17. In addition, Petitioner reiterates that Ginter discloses the use of “prepayments, credits, [and] real-time electronic debits.” *Id.* (citing Ex.1015, 63:34–41). Based on these disclosures, we are persuaded that, at minimum, it would have been obvious to a skilled artisan to modify Ginter’s audit information to be used prior to the transfer of content.

Moreover, as noted above, we construe “payment data” as “data relating to payment for the requested data item,” regardless of when the payment operation occurs. Thus, even were we to agree with Patent

¹⁰ We are not persuaded that Petitioner introduced new argument in its Reply, as asserted by Patent Owner. *See* Tr. 91:2–94:24. In response to Patent Owner’s argument that Ginter’s “audit information” is post-usage information (*id.* at 91:20–22; PO Resp. 24–25), Petitioner explained its original assertion by referring to specific audit information (Reply 16–17).

Owner's characterization of Ginter, we are persuaded that Petitioner has shown by a preponderance of the evidence that a person of ordinary skill would find the limitation "code to read payment data from the data carrier and to forward the payment data to a payment validation system" obvious in light of Ginter's disclosure.

b. "code to receive payment validation data from the payment validation system"

As evidence that a person of ordinary skill in the art would have found this limitation obvious in view of Ginter, Petitioner cites to Ginter's disclosure of sending an "administrative object" to a clearinghouse, which then may "check the end user's credit, financial records, business agreements and/or audit histories to determine whether the requested . . . permissions should be given" and then may "send one or more responsive administrative objects which cause the end user's electronic appliance 600 to update its secure database in response." 103 Pet. 55–56 (quoting Ex. 1015, 162:38–61). Further, Petitioner asserts that a person of ordinary skill in the art would have at least found this limitation obvious from Ginter's "disclosure of receiving data indicating that the payment validation system has validated the purchase of a VDE content object." 103 Pet. 55 n.22 (citing Ex. 1121 ¶ 52).

Patent Owner argues that an "administrative response" is not a response to the sending of audit information because it relates not to permission pertaining to a current VDE object, but to budgeting for the future. PO Resp. 24–25. In addition, Patent Owner argues that the section describing administrative objects quoted above "does not describe purchases, nor does the 00103 Petition explain why absent the disclosure of

purchases an administrative reply itself would render a purchase obvious.”
Id. at 25.

Petitioner replies that Ginter’s administrative response is equivalent to the claimed “payment validation data.” In support, Petitioner points to Ginter’s disclosure that a financial provider may receive an administrative object (Ex. 1015, 179:39–42), communicate with credit card networks using the administrative object (*id.* at 180:5–7), and return an administrative object back to the user with responsive information (*id.* at 180:8–12). Reply 18.

We agree with Petitioner. Even were we to agree with Patent Owner’s characterizations of Ginter’s disclosure as it relates to the administrative response and administrative objects, which we do not, we are persuaded that a person of ordinary skill would find these differences obvious variants of basic payment processing and validation—well within their understanding. *See, e.g.*, Ex. 1014, 29:61–64; Ex. 1031, 16:15–27:9. We are persuaded, therefore, that a person of ordinary skill would find the limitation “code to receive payment validation data from the payment validation system” obvious in light of Ginter’s disclosure.

c. “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier”

As evidence that a person of ordinary skill in the art would have found this limitation obvious in view of Ginter, Petitioner cites to Ginter’s disclosure that “payment for VDE objects” may be made “through the use of prepayments, credits, real-time electronic debits from bank accounts and/or VDE node currency token deposit accounts.” 103 Pet. 57–58 (quoting Ex. 1015, 63:34–41). Further, Petitioner asserts that a person of ordinary skill in the art would have at least found this limitation obvious based on Ginter’s

disclosure that “‘sufficient credit from an authorized source *must be confirmed as available*’ before a transaction occurs.” 103 Pet. 58 n.24 (quoting Ex. 1015, 20:23–29).

Patent Owner reiterates its arguments that “the cited section (162:38–61) does not relate to audit information, as alleged, or disclose this limitation” and that Ginter operates using different principles than “real-time debits.” PO Resp. 26. For the reasons described above, we do not find these arguments persuasive.

In addition, Patent Owner argues that “the disclosure of ‘sufficient credit’ would teach away from using a ‘real-time debit system’” because sufficient credit would obviate the need for real-time debits “as the credit could be relied upon in post-usage processing.” *Id.* at 27.

We are not persuaded that Ginter’s disclosure of sufficient credit teaches away from using a real-time debit system. According to Ginter, “VDE ensures that certain prerequisites necessary for a given transaction to occur are met,” including that modules and data might “specify that sufficient credit from an authorized source must be confirmed as available.” Ex. 1015, 20:23–29. Directly after this statement, Ginter continues that “[i]t might further require certain . . . modules execute as processes at an appropriate time to ensure that such credit will be used in order to pay for user use of the content.” *Id.* at 20:29–32. We are persuaded that in light of this disclosure, a skilled artisan would not be discouraged from, but, indeed, would find it obvious to, execute such processes and forward the notification of ensured credit to the data supplier *prior* to transfer of the requested content. Thus, we do not agree with Patent Owner that Ginter teaches away from using a real-time debit system.

3. *Claims 2, 12, 13, and 14*

Patent Owner reiterates the arguments it made with respect to claims 1 and 11 for claims 2, 12, 13, and 14. PO Resp. 27–30. For the reasons discussed above, we are not persuaded by Patent Owner’s arguments.

4. *Conclusion*

We conclude that Petitioner has shown by a preponderance of the evidence that claims 1, 2, and 11–14 of the ’221 Patent would have been obvious over Ginter.

III. MOTIONS TO EXCLUDE

A. *Petitioner’s Motions to Exclude*

Petitioner’s Motion to Exclude seeks to exclude: (1) the testimony of Dr. Katz (Ex. 2028); and (2) the portions of the Patent Owner’s Response (Paper 26) that refer to, or rely on, that testimony. Paper 39, 3. As movant, Petitioner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Petitioner’s Motion to Exclude is *denied*.

Petitioner argues that Dr. Katz’s testimony should be excluded under Federal Rule of Evidence (“FRE”) 702 because he was unable to opine on what a person of ordinary skill in the art would have understood as of the priority date of the ’221 patent. Paper 39, 5. Specifically, Petitioner refers to Dr. Katz’s deposition testimony that he was “not sure” as to (1) what a person of ordinary skill in the art would have known; (2) the operation of the embodiments described in the ’598 patent; and (3) how a person of ordinary skill in the art would have interpreted various passages from the cited prior art. *Id.* at 5–9.

Patent Owner counters that Dr. Katz was not sure how to answer the questions in deposition because “Petitioner never established whose definition of a POSITA Dr. Katz was to use.” Paper 45, 4.

Petitioner replies that Dr. Katz confirmed at the outset of his deposition that he understood the meaning of counsel’s reference to “what a person of ordinary skill in the art would have understood,” and that Patent Owner’s counsel objected to almost none of the questions that it now claims are unclear. Paper 50, 2–4.

We have reviewed the deposition testimony of Dr. Katz and determine that excluding the testimony, in its entirety, is not warranted. We assess Petitioner’s arguments with respect to the weight to be given to relevant portions of Dr. Katz’s testimony, rather than to its admissibility. 37 C.F.R. § 42.65.

B. Patent Owner’s Motion to Exclude

Patent Owner’s Motion to Exclude seeks to exclude (1) Exhibit 1002; (2) Exhibits 1003, 1004, 1010, 1019, and 1027–1029; (3) Exhibits 1005–1007, 1012, 1017, 1018, and 1020; (4) Exhibits 1021 and 1121; (6) portions of Exhibit 1031; and (7) Exhibits 1101–1120 and 1122–1129. Paper 42. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *granted-in-part, denied-in-part, and dismissed-in-part* as moot.

1. Exhibit 1002

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by it in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and

cumulative (FRE 403). Paper 42, 2–3; Paper 49, 1–2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner’s characterization of the ’221 patent in the complaint because the ’221 patent itself is in evidence. Moreover, according to Patent Owner, its characterization of the ’221 patent is irrelevant and, even if relevant, cumulative to the ’221 patent itself. *Id.*

Petitioner counters that it relies on Exhibit 1002 not as evidence of the content of the ’221 patent, but to show that Patent Owner’s characterization of the ’221 patent supports Petitioner’s contention that the ’221 patent relates is a covered business method patent. Paper 46, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the ’221 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Patent Owner’s characterization of the ’221 patent in another proceeding is not in the ’221 patent itself, and, therefore, Exhibit 1002 is not cumulative to the ’221 patent and FRE 1004 is not applicable. *Id.*

We are persuaded by Petitioner that Exhibit 1002 is offered not for the truth of the matter asserted (i.e., the content of the ’221 patent), but as evidence of how the Patent Owner has characterized the ’221 patent. Patent Owner has not persuaded us that Exhibit 1002 is irrelevant, at least because its characterization of the ’221 patent in prior proceedings are relevant to the credibility of its characterization of the ’221 patent in this proceeding. Accordingly, we decline to exclude this exhibit.

2. *Exhibits 1003, 1004, 1010, 1019, and 1027–1029*

Patent Owner seeks to exclude Exhibits 1003, 1004, 1010, 1019, and 1027–1029 as irrelevant under FRE 401 and 402 because they are not cited

in the Petition, the Wechselberger Declaration, or our Decision to Institute. Paper 42, 3–4; Paper 49, 2.

Petitioner counters that all of these exhibits except Exhibit 1010 (*see* Paper 46, 3 n.4) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 46, 3. Petitioner also points out that Patent Owner similarly filed exhibits not relied upon in its substantive papers. *Id.*

Because Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case, Patent Owner has not shown that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibits 1003, 1004, 1019, and 1027–1029. We grant the motion as to Exhibit 1010.

3. Exhibits 1005–1007, 1012, 1017, 1018, and 1020

Patent Owner seeks to exclude Exhibits 1005–1007, 1012, 1017, and 1020 as irrelevant under FRE 401 and 402 because, while cited, they either were not asserted by Petitioner as invalidating prior art or were not instituted upon by the Board. Paper 42, 4–5; Paper 49, 2–3.

Petitioner counters that all of these exhibits are evidence of the state of the art and knowledge of a person of ordinary skill in the art at the claimed priority date, and are relied upon in both the Petition and the Wechselberger Declaration as evidence of that knowledge. Paper 46, 3–5.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect to the state of the art and to knowledge of a person of ordinary skill in the art, which are relevant to obviousness, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these exhibits.

4. *Exhibits 1021 and 1121*

Patent Owner seeks to exclude Exhibits 1021 and 1121—the Declarations of Mr. Wechselberger in the 102 case and 103 case, respectively—under FRE 602 as lacking foundation because they “do[] not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions” and because they “do[] not sufficiently state the criteria used to assess whether one of ordinary skill in the art at the time of the invention would have been motivated to modify a reference or combine two references.” Paper 42, 5–8, 14–15; Paper 49, 3–4. Patent Owner also seeks to exclude this testimony under FRE 702 because it “does not prove that Mr. Wechselberger is an expert whose testimony is relevant to the issue of what is taught and/or suggested by the cited references.” Paper 42, 7–8.

Petitioner counters that FRE 602 is not a basis for excluding Mr. Wechselberger’s expert testimony because FRE 602 plainly states that it “does not apply to a witness’s expert testimony under Rule 703” and, therefore, Patent Owner’s objections are improper challenges to the *sufficiency* of the opinions presented rather than challenges to their *admissibility*. Paper 46, 5–8. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 7 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner offers no evidence disputing that Mr. Wechselberger is a qualified expert and notes that he qualifies as an expert under both parties’ definitions of a person of ordinary skill in the art. *Id.* Petitioner also notes that Patent Owner did not object to its offer of Mr. Wechselberger as an expert in the co-pending district court litigation. *Id.*

Patent Owner acknowledges that FRE 602 does not apply to expert witnesses, but argues that Mr. Wechselberger never states that he is an expert in the subject matter of the challenged claims. Paper 49, 3.

We are not persuaded by Patent Owner's arguments. Mr. Wechselberger has a Bachelor and Master in Electrical Engineering, and has decades of experience in relevant technologies. Ex. 1021 ¶¶ 2–12; App'x A. We are, therefore, not persuaded by Patent Owner's argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Moreover, FRE 602 expressly recites that it “does not apply to a witness's expert testimony under Rule 703.” The testimony sought to be excluded by Patent Owner is expert testimony under Rule 703. Accordingly, we decline to exclude this testimony under either FRE 602 or FRE 702.

5. *Exhibit 1031*

Patent Owner seeks to exclude portions of Exhibit 1031 on the grounds that the questions asked were outside the scope, and, therefore, should be excluded as irrelevant under FRE 402. Paper 42, 8–13; Paper 49, 4–5.

Petitioner counters that the Patent Owner cannot move to exclude this testimony because it failed to object to the questions during the deposition and, therefore, waived any such objection under Rule 42.64(a). Paper 46, 8 (citing *Westlake Servs., LLC v. Credit Acceptance Corp.*, CBM2014-00008, Paper 48 (“Patent Owner objected to many, but not all, . . . questions . . . , indicating its belief that at least some of the questioning was proper.”)).

Petitioner further contends that the testimony is relevant to issues in this proceeding. Paper 46, 8–15.

Patent Owner replies that, unlike *Westlake Services*, here Patent Owner seeks to exclude discrete portions of the deposition testimony as opposed to “114 pages of the deposition,” and that “[a] fair reading of the record demonstrates that Patent Owner’s objections were made and preserved at the deposition.” Paper 49, 4.

As an initial matter, a motion to exclude is not a proper vehicle for a party to raise the issue of cross-examination exceeding the scope of the direct testimony. Moreover, as Petitioner correctly points out, many of the questions and answers that Patent Owner now seeks to exclude were not objected to during the deposition, even giving the transcript the “fair reading” that Patent Owner suggests. “An objection to the admissibility of deposition evidence must be made during the deposition.” 37 C.F.R. § 42.64(a).

Nevertheless, we turn to the merits. Even assuming that exceeding the scope of direct testimony was a proper basis for a Motion to Exclude and that Patent Owner had objected to every question now sought to be excluded, we still would not be persuaded that exclusion of this testimony, in its entirety, is the proper remedy. Based on our review of the arguments made in the Patent Owner Response, as well as the relevant portions of the deposition transcript, we are not persuaded that the questions asked were outside the scope of Dr. Katz’s declaration. For example, Patent Owner argues that the testimony at page 36, line 10 to page 37, line 11 is “not relevant because it relates to conditional access and none of the claims at issue relate to conditional access to stored data.” Paper 42, 9. Patent Owner

adds that the question uses the term “payment validation” instead of “payment validation data.” *Id.* As Petitioner points out, however, claim 1 recites “code responsive to the payment validation data,” and both the ’221 patent and the prior art involve controlling access to data based on payment. Paper 46, 9. Moreover, Dr. Katz testifies, in testimony that Patent Owner has not moved to exclude, that a skilled artisan would have “understood that payment validation could be made a condition of providing content that was electronically sold.” Paper 46, 9 (quoting Ex. 1031, 27:4–9). As a result, we are not persuaded that questions about what a person of ordinary skill in the art would know about conditional access are outside the scope of Dr. Katz’s direct testimony. We are not persuaded that because the question did not include the word “data,” that the entire passage should be stricken. Instead, we are persuaded that Dr. Katz understood the question in the context in which it was asked.

For similar reasons, we are not persuaded that any of the other portions of Dr. Katz’s deposition should be excluded. Patent Owner argues that some of the testimony is not directly relevant to Dr. Katz’s direct testimony or is only relevant to related proceedings. Paper 42, 9–13. Much of the testimony Patent Owner objects to relates to Dr. Katz’s understanding of the ’221 patent and the prior art references. *See, e.g., id.* at 9–10 (objecting to testimony relating to “whether the Stefik ’235 reference would exclude the use of a credit card”), 10–11 (objecting to testimony relating to differences between embodiments of the ’221 patents), 11–12 (objecting to testimony relating to “prepurchase processing” in Ginter), 12 (objecting to testimony relating to Poggio’s disclosure of a time stamp). We are not

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persuaded that this testimony is irrelevant to Dr. Katz's declaration and the issues in this case.

Moreover, the deposition of Dr. Katz covered his testimony in four related proceedings involving four different patents: CBM2014-00102 (US Patent No. 8,118,221 B2), CBM2014-00106 (US Patent No. 8,033,458 B2), CBM2014-00108 (US Patent No. 8,061,598 B2), and CBM2014-00112 (US Patent No. 7,942,317 B2). Ex. 1031, 1. Although some of the questions posed may have not related directly to this proceeding (*see* Paper 42, 12–13; Paper 46, 15 n.6) we are not persuaded that the answers elicited are irrelevant to the issues in this proceeding. The patents in these cases disclose similar subject matter and the proceedings include overlapping prior art references. Accordingly, we decline to exclude these portions of Exhibit 1031.

6. Exhibits 1101–1120 and 1122–1129

Patent Owner seeks to exclude Exhibits 1101–1120 and 1122–1129 (filed in the 103 case) under FRE 403 on the grounds that they are identical to Exhibits 1001–1020 and 1022–1029 (filed in the 102 case), and are, therefore, “needless cumulative evidence.” Paper 42, 13; Paper 49, 5.

Petitioner counters that these exhibits should not be excluded for the same reasons that Exhibits 1001–1020 and 1020–1029 should not be excluded. Paper 46, 2 n.3.

We do not rely on these exhibits. Accordingly, Patent Owner's Motion to Exclude is moot as to these exhibits.

IV. CONCLUSION

Petitioner has shown, by a preponderance of the evidence, that claims 1, 2, and 11–14 of the '221 patent are unpatentable under 35 U.S.C. § 103.

V. ORDER

Accordingly, it is:

ORDERED that claims 1, 2, and 11–14 of the '221 patent are determined to be *unpatentable*;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;

FURTHER ORDERED that Patent Owner's motion to exclude is *denied-in-part* and *dismissed-in-part*;

FURTHER ORDERED that Exhibit 1010 shall be expunged; and

FURTHER ORDERED that, because this is a Final Written Decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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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

CBM2014-00102 and CBM2014-00103
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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

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”).

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.

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.

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;

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."

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).

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

“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.

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

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

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

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

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)).

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

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

“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

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

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

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.

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

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.

Case CBM2014-00102¹¹
Patent 8,118,221 B2

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

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

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Trials@uspto.gov Paper 6 (CBM2015-00015), Paper 14 (CBM2014-00102)
Tel: 571-272-7822 Paper 6 (CBM2015-00016), Paper 14 (CBM2014-00106)
Paper 6 (CBM2015-00017), Paper 14 (CBM2014-00108)
Paper 4 (CBM2015-00018), Paper 13 (CBM2014-00112)
Entered: November 13, 2014

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

CBM2015-00015, CBM2014-00102 (Patent 8,118,221 B2)
CBM2015-00016, CBM2014-00106 (Patent 8,033,458 B2)
CBM2015-00017, CBM2014-00108 (Patent 8,061,598 B2)
CBM2015-00018, CBM2014-00112 (Patent 7,942,317 B2)¹

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

ELLURU, *Administrative Patent Judge.*

ORDER

¹ This order addresses issues that are the same in all identified cases. We exercise our discretion to issue one order to be filed in each case. The parties, however, are not authorized to use this style heading in subsequent papers.

CBM2015-00015, CBM2014-00102 (Patent 8,118,221 B2)
CBM2015-00016, CBM2014-00106 (Patent 8,033,458 B2)
CBM2015-00017, CBM2014-00108 (Patent 8,061,598 B2)
CBM2015-00018, CBM2014-00112 (Patent 7,942,317 B2)

A teleconference was held on Friday, November 7, 2014, among Steven Baughman and Ching-Lee Fukuda, representing Petitioner; Michael Casey and Scott Davidson, representing Patent Owner; and Judges Bisk, Elluru, Plenzler, and Clements.

Both Petitioner and Patent Owner requested the teleconference. Petitioner filed three petitions, CBM2015-00015, CBM2015-00016, and CBM2015-00017 (“the 2015 set of petitions”), concurrently with motions for joinder or coordination of schedules with CBM2014-00102, CBM2014-00106, and CBM2014-00108 (“the 2014 set of petitions”). Petitioner also filed CBM2015-00018 (part of the 2015 set of petitions), which challenges the same patent as CBM2014-00112, without a motion for joinder, but Petitioner represented that it would like to coordinate the schedule of these two cases as well. Petitioner requested that we shorten the due dates for the Patent Owner Preliminary Response in CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018, to which Patent Owner objected.

The 2015 set of petitions assert substantially overlapping arguments and prior art as asserted in the 2014 set of petitions, as well as challenges pursuant to 35 U.S.C. § 101, which raise purely legal issues. Given that we may need to coordinate schedules should we institute trials in the 2015 set of petitions, we expedited the due date for the Patent Owner Preliminary Responses in CBM2015-00015, CBM2015-00016, CBM2015-00017, and CBM2015-00018 to December 15, 2014. We also indicated that we would extend the due date for the Patent Owner Responses in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112. The extended due date for these cases will be determined in due course.

CBM2015-00015, CBM2014-00102 (Patent 8,118,221 B2)
CBM2015-00016, CBM2014-00106 (Patent 8,033,458 B2)
CBM2015-00017, CBM2014-00108 (Patent 8,061,598 B2)
CBM2015-00018, CBM2014-00112 (Patent 7,942,317 B2)

Patent Owner requested authorization to file a motion for additional discovery on Apple's products, servers for "iTunes" and "App Store." Patent Owner asserted that it would like to show that Apple's products are covered by its claims, and thus, that the discovery sought relates to commercial success. Patent Owner, however, stated that it has "very little" evidence that certain products read on the claims. Petitioner responded that Patent Owner seeks very broad categories of discovery, the related district court case is addressing the infringement allegations, there has been 6 million pages of documents produced in that case, and if we were to grapple with the infringement issue then we would have a "trial within a trial" with respect to infringement. Petitioner also alleged that Patent Owner has not met a threshold showing of nexus between the claims and the alleged commercial success of Apple's products. We denied Patent Owner's request for authorization to file a motion for additional discovery given that Patent Owner has not made a threshold showing as to infringement or nexus with commercial success.

It is:

ORDERED that the due date for the Patent Owner Preliminary Response in CBM2015-00015, CBM2015-00016, CBM2016-00017, and CBM2015-00018 is December 15, 2014; and

FURTHER ORDERED that Patent Owner is not authorized to file a motion for additional discovery.

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CBM2015-00016, CBM2014-00106 (Patent 8,033,458 B2)
CBM2015-00017, CBM2014-00108 (Patent 8,061,598 B2)
CBM2015-00018, CBM2014-00112 (Patent 7,942,317 B2)

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