

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00108¹
Patent 8,061,598 B2

PATENT OWNER'S NOTICE OF APPEAL

¹ Case CBM2014-00109 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 50) and from all underlying orders, decisions, rulings and opinions regarding U.S. Patent No. 8,061,598 (the “’598 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 claim 26 of the ’598 Patent is 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 claim 26 of the ’598 Patent is 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 40);
- Whether the Board erred in finding that the subject matter of the ‘598 Patent is directed to activities that are financial in nature and in instituting Covered Business Method review of the ‘598 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

/ Michael R. Casey /

Michael R. Casey
Registration No. 40,294
Davidson Berquist
Jackson & Gowdey, LLP
8300 Greensboro Drive
Suite 500
McLean, VA 22102
Telephone: (571) 765-7705
Fax: (571) 765-7200
Email: mcasey@dbjg.com
Attorney for Patent Owner

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:

J. Steven Baughman (steven.baughman@ropesgray.com)
Ching-Lee Fukuda (ching-lee.fukuda@ropesgray.com)
Megan Raymond (megan.raymond@ropesgray.com)
ApplePTABService-SmartFlash@ropesgray.com

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:

Director of the United States Patent and Trademark Office
c/o Office of the General Counsel
Madison Building East, 10B20
600 Dulaney Street
Alexandria, VA 22314-5793

Dated: November 25, 2015

/ Michael R. Casey /

Michael R. Casey
Registration No. 40,294
Davidson Berquist
Jackson & Gowdey, LLP
8300 Greensboro Drive
Suite 500
McLean, VA 22102
Telephone: (571) 765-7705
Fax: (571) 765-7200
Email: mcasey@dbjg.com
Attorney for Patent Owner

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00108¹
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge.*

FINAL WRITTEN DECISION

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

¹ Case CBM2014-00109 has been consolidated with the instant proceeding.

I. INTRODUCTION

A. *Background*

Petitioner, Apple Inc. (“Apple”), filed two Petitions to institute covered business method patent review of claims 1, 2, 7, 13, 15, 26, and 31 “the challenged claims”) of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act “AIA”). CBM2014-00108 (Paper 2, “108 Pet.”) and CBM2014-00109 (Paper 2, “109 Pet.”).² On September 30, 2014, we consolidated CBM2014-00108 and CBM2014-00109 and instituted a transitional covered business method patent review (Paper 8, “Decision to Institute” or “Dec.”) based upon Petitioner’s assertion that claim 26 is unpatentable based on the following grounds:

Reference[s]³	Basis	Claims Challenged
Stefik ’235 ⁴ and Stefik ’980 ⁵	§ 103(a)	26
Ginter ⁶	§ 103(a)	26

Dec. 22. Petitioner also provides declarations from Anthony J.

Wechselberger (“Wechselberger Decl.”). 112 Ex. 1021; 113 Ex. 1121.

² Unless otherwise specified, hereinafter, paper numbers refer to paper numbers in CBM2014-00108.

³ Exhibits with numbers 1001–1029 were filed in CBM2014-00108 and those with numbers 1101–1129 were filed in CBM2014-00109. For purposes of this Decision, where the two cases have duplicate exhibits, we refer to the exhibit filed in CBM2014-00108.

⁴ U.S. Patent No. 5,530,235 (June 25, 1996) (Ex. 1013, “Stefik ’235”).

⁵ U.S. Patent No. 5,629,980 (May 13, 1997) (Ex. 1014, “Stefik ’980”).

⁶ U.S. Patent No. 5,915,019 (June 22, 1999) (Ex. 1015, “Ginter”).

Subsequent to institution, Patent Owner filed a Patent Owner Response (Paper 23, “PO Resp.”) and, in support, a declaration from Jonathan Katz, Ph.D. (Ex. 2030, “Katz Declaration”). Petitioner filed a Reply (Paper 31, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on July 7, 2015, and a transcript of the hearing is included in the record (Paper 49, “Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claim 26 of the ’598 patent is unpatentable.

B. The ’598 Patent

The ’598 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 1:29–55. The ’598 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 '598 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 25:49–52 (“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 '598 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.,* 108 Pet. 23; Paper 5, 2. Patent Owner indicates that the '598 patent and other patents in the same patent family are the subject of several other district court cases. Paper 33, 3–4.

In addition to the 108 and 109 Petitions, Apple and other petitioners have filed numerous other Petitions for covered business method patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter.

D. The Instituted Claim

Apple challenges claim 26 of the '598 patent. Claim 26 recites the following:

26. A portable data carrier comprising:
 - an interface for sending and receiving data from and to the carrier;
 - memory, coupled to the interface, for storing data on the carrier;
 - a processor for controlling access to data; and

a subscriber identity module (SIM) portion storing identification data to identify a user of said portable data carrier to a network operator.

Ex. 1001, 27:45–53.

II. EVIDENTIARY MATTERS

A. *Wechselberger Declaration*

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. 16 n.5. 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.” 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 shows 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 the evidence standard’ expressly in order for the expert testimony to be accorded weight.” Reply 14–15.

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 9. 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 9–13. 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 14.

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.

III. ANALYSIS

A. Claim Construction

We construe all terms, whether or not expressly discussed here, using the broadest reasonable construction in light of the ’598 patent specification. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1278–80 (Fed. Cir. 2015) (“Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA,” and “the standard was properly adopted by PTO regulation.”). In the Decision to Institute, we construed the term “use rule” to mean “a rule specifying a condition under which access to content is permitted.” Dec. 7. Neither party contests this construction. We discern no reason to deviate from this construction of “use rule.” Furthermore, for purposes of this Final Written Decision, we need not expressly construe any other claim term.

B. Obviousness over Stefik '235 and Stefik '980

Petitioner asserts that claim 26 would have been obvious over the Stefik references alone.⁷ 108 Pet. 63–69. After considering the arguments and evidence presented in the Petition and the Preliminary Response (108, Paper 6), we instituted trial with respect to claim 26 concluding that Petitioner was likely to prevail in showing unpatentability under 35 U.S.C. § 103(a) over the combination of Stefik '235 and Stefik '980. Dec. 24. After considering the arguments and evidence presented during the trial, our determination remains unchanged.

1. Overview of Stefik '235

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.

2. Overview of Stefik '980

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.

⁷ Petitioner refers to Stefik '235 and Stefik '980 collectively as “Stefik,” contending that Stefik '235 incorporates Stefik '980 by reference, and providing rationale for combining the teachings from the two references. 108 Pet. 30 n.13. We agree these related references can be combined and follow Petitioner’s nomenclature.

3. *Analysis*

The parties focus on only one claim limitation. For the remaining limitations, we have reviewed Petitioner’s evidence and argument and agree that Petitioner has shown sufficiently that Stefik teaches those limitations. *See* 108 Pet. 63–69. We turn now to the disputed limitation.

Claim 26 recites a “subscriber identity module (SIM) portion storing identification data to identify a user of said portable data carrier to a network operator.” Patent Owner disputes Petitioner’s contention that

A [person of ordinary skill in the art] would have been motivated and found it obvious to employ a memory card for a mobile or cellular device that included a SIM portion that identifies a subscriber to a network operator, such as a mobile phone, as a repository in Stefik’s content distribution and access network.

Pet. 65 n.17. With respect to motivation, Patent Owner argues that “[n]either patent identifies anything that indicates that a DocuCard or a repository could be a mobile or cellular phone in which such a memory card would be used.” PO Resp. 9–10. As a result, according to Patent Owner, “there is no reason to change from the ‘unique number assigned to the DocuCard upon manufacture’ to some other identifying information,” and neither the 108 Petition nor Mr. Wechselberger explain why such a change would be necessary. *Id.* at 10.

Petitioner replies that “Stefik expressly discloses that the DocuCard includes unique identifying information” and “[a person of ordinary skill in the art] would have known that a SIM portion would have served the same purpose.” Pet. Reply 4; *see also id.* at 4–5 (“[A person of ordinary skill in the art] would have found it obvious to embed a SIM portion (which could be, e.g., either memory or a card) in a DocuCard repository for the well-

known purpose of using the SIM portion to identify the DocuCard repository to a network operator.”).

We agree with Petitioner. The function of the recited “SIM portion” is “to identify a user of said portable data carrier to a network operator.” Petitioner proposes to substitute the DocuCard’s unique identifying information with the user identification means of a SIM card in order to perform the recited function of “identify[ing] a user of said portable data carrier to a network operator.” The ’598 patent acknowledges that “a mobile phone SIM (Subscriber Identity Module) card . . . already include[s] a user identification means, to allow user billing through the phone network operator.” Ex. 1001, 4:9–13; *see also* Tr. 103:7–8 (when discussing the description of the SIM portion in the challenged patent, Counsel for Patent Owner explained that “applicants didn’t need to put more in there because the SIM was already well understood.”). Accordingly, we are persuaded that the substitution of the DocuCard’s unique identifying information with the user identification means of a SIM card involves nothing more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for improvement. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

With respect to the obviousness of the proposed modification, Patent Owner questions whether a SIM card is capable of performing the functions of a repository. Specifically, Patent Owner faults the Petition for

[N]ot disclos[ing] whether the ‘unique number assigned to the DocuCard upon manufacture’ has characteristics that would make it compatible with the SIM portion of a mobile phone, for example, whether the number of bits required by the ‘unique number assigned to the DocuCard upon manufacture’ is greater

than the number of bits that a SIM portion would utilize to identify a subscriber to a network operator.

Id. Patent Owner also argues that the 108 Petition fails to show that a memory card for a mobile or cellular device, such as SIM card, is capable of meeting the requirements of a repository, such as performing the registration process depicted in Figure 3 of Stefik '235. *Id.* at 11.

Petitioner notes that “[Patent Owner] presents no evidence disputing that a block of memory containing only a single user identifier can be a SIM portion, or that a [person of ordinary skill in the art] would have known how to conform Stefik’s unique identifying number to the well-known SIM specification.” Pet. Reply 4. Specifically, Petitioner notes that “Stefik does not specify a number of bits that must be used for its unique identifier” and “[Patent Owner] presents no evidence substantiating that Stefik’s unique identifier would be incompatible with even the specification of a SIM *card* (not claimed).” *Id.* at 5.

We agree with Petitioner. Despite raising questions about the suitability of a SIM card as Stefik’s repository, Patent Owner presents no evidence suggesting incompatibility. PO Resp. 10; Ex. 2030 ¶ 14. We note again that the '598 patent states explicitly that, “[t]he data storage means can, if desired, incorporate the functionality of a mobile phone SIM (Subscriber Identity Module) card.” Ex. 1001, 4:9–13. According to the '598 patent, the data storage means is “based on a standard smart card.” Ex. 1001, 11:28–29. Stefik, however, discloses that “smartcard implementations are inadequate for use as a transportable storage medium due to their limited storage capacities.” Ex. 1013, 2:6–9. For that reason, Stefik’s DocuCard is based on the more powerful Personal Computer Memory Card International Association (PCMCIA) card standard. *Id.* at 4:54–5:22. Because Stefik’s

DocuCard is implemented on a PCMCIA card, which is more powerful than the standard smartcard described in the '598 patent as being capable of incorporating the functionality of a mobile phone SIM card, we are persuaded that Stefik's DocuCard could also incorporate the functionality of a mobile phone SIM card.

We conclude that Petitioner has shown by a preponderance of the evidence that claim 26 of the '598 Patent would have been obvious over Stefik '235 and Stefik '980.

C. Obviousness over Ginter

Petitioner contends that claim 26 would have been obvious over Ginter. 109 Pet. 68–75. After considering the arguments and evidence presented in the Petition and the Preliminary Response (109, Paper 6), we instituted trial with respect to claim 26 concluding that Petitioner was likely to prevail in showing unpatentability under 35 U.S.C. § 103(a) over Ginter. Dec. 24. After considering the arguments and evidence presented during the trial, our determination remains unchanged.

1. Overview of Ginter

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. 1115, Abstract, Fig. 71, 52:26–27.

2. Analysis

The parties focus on only one claim limitation. For the remaining limitations, we have reviewed Petitioner's evidence and argument and agree that Petitioner has shown sufficiently that Stefik teaches those limitations. *See* 109 Pet. 68–75. We turn now to the disputed limitation.

Claim 26 recites a “subscriber identity module (SIM) portion storing identification data to identify a user of said portable data carrier to a network operator.” Patent Owner argues that the 109 Petition fails to show that a person of ordinary skill in the art would have found it obvious for Ginter’s portable data carrier to use a cellular network connection (and, therefore, a SIM portion), or to include a SIM portion in Ginter’s portable electronic appliance. PO Resp. 12–13. Specifically, Patent Owner argues that a cellular network would not have been obvious because Ginter emphasizes security and describes electronic appliance 600 communicating only across wired networks, which are more secure than wireless networks. PO Resp. 13 (citing Ex. 1015, 63:42–67, 161:8–11 (“It may be initiated across the electronic highway 108, or across other communications networks such as LAN, WAN, two-way cable or using portable media exchange between electronic appliances.”)).

This argument is unpersuasive. The cited portion in column 63 of Ginter is directed to the physical security of Secure Processing Unit 500, not to the security of communications between an electronic appliance and a clearinghouse. And as Petitioner correctly points out, “Ginter does not limit its disclosure to transmitting information via ‘wired networks.’” Pet. Reply. 8. The disclosure quoted by Patent Owner uses the phrase “such as” to indicate that LAN, WAN, and two-way cable are non-limiting examples. Ex. 1015, 161:8–11. As Petitioner also correctly points out, Patent Owner’s expert, Dr. Katz, “admits that Ginter explicitly discloses allowing an electronic appliance to use ‘any of the connections . . . normally used within an electronic appliance,’ including broadcast reception and wireless cellular connections.” Pet. Reply 8 (quoting Deposition of Dr. Katz (Ex. 1031) at

171:19–172:1)); *see also* Ex. 1031, 172:1–173:2–10, 175:3–5 (testifying that an electronic appliance can be a pager or phone, both of which were known to communicate wirelessly). Accordingly, we are not persuaded that it would not have been obvious to a person of ordinary skill in the art to modify Ginter’s electronic appliance 600 to communicate over a wireless network.

Patent Owner also argues that the disclosure in Ginter of a “portable device auxiliary terminal” communicating through the use of “cellular, satellite, radio frequency, or other communication means” (Ex. 1015, 233:53–57) does not teach that Ginter’s electronic appliance or portable electronic appliance can communicate by those methods. PO Resp. 14. We agree with Patent Owner that this disclosure in Ginter relates to a portable device auxiliary terminal rather than to the electronic appliance or portable electronic appliance. We need not rely on this disclosure in Ginter, however, because the other disclosure in Ginter, discussed in the preceding paragraph, as well as Dr. Katz’s testimony, persuade us that it would have been obvious to a person of ordinary skill in the art for Ginter’s electronic appliance to use a cellular connection requiring a SIM card.

Patent Owner also argues that neither the 109 Petition nor Mr. Wechselberger explain why a person of ordinary skill in the art would have been motivated to replace Ginter’s “information which can be used to uniquely identify each instance of the portable appliance” (Ex. 1015, 229:13–18) with the user identification means of a SIM card. PO Resp. 15. Petitioner replies that “Ginter’s ‘Host’ electronic appliance contains information used to uniquely identify the appliance” and “[a person of ordinary skill in the art] would have found it obvious to use a SIM portion in

a ‘Host’ electronic appliance communicating over a cellular network to serve a well-known purpose—uniquely identifying the electronic appliance to a network operator.” Pet. Reply 7–8.

We agree with Petitioner. The function of the recited “SIM portion” is “to identify a user of said portable data carrier to a network operator.” Petitioner proposes to substitute Ginter’s electronic appliance’s “information used to uniquely identify the appliance” with the user identification means of a SIM card in order to perform the recited function of “identify[ing] a user of said portable data carrier to a network operator.” 109 Pet. 72 n.29; Ex. 1121, App’x D, 106–107; Pet. Reply 6–8. The ’598 patent acknowledges that “a mobile phone SIM (Subscriber Identity Module) card . . . already include[s] a user identification means, to allow user billing through the phone network operator.” Ex. 1001, 4:9–13; *see also* Tr. 103:7–8 (“So applicants, applicants didn’t need to put more in there because the SIM was already well understood.”). Accordingly, we are persuaded that the substitution of Ginter’s electronic appliance’s “information used to uniquely identify the appliance” with the user identification means of a SIM card involves nothing more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for improvement. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. at 417.

Lastly, Patent Owner questions whether a SIM card is capable of providing the number of bits required by Ginter’s “information which can be used to uniquely identify each instance of the portable appliance.” PO Resp. 15. Petitioner replies that these arguments are unpersuasive for the same reasons as the arguments made with respect to Stefik. Pet. Reply 9 n.2.

We agree that Patent Owner’s arguments are unpersuasive. Despite raising questions about the suitability of a SIM card for containing Ginter’s “information which can be used to uniquely identify each instance of the portable appliance,” Patent Owner provides no evidence suggesting a SIM card is unsuitable. PO Resp. 15; Ex. 2030 ¶ 23. As discussed above with respect to Stefik, the ’598 patent states explicitly that, “[t]he data storage means can, if desired, incorporate the functionality of a mobile phone SIM (Subscriber Identity Module) card.” Ex. 1001, 4:9–13. According to the ’598 patent, the data storage means is “based on a standard smart card.” Ex. 1001, 11:28–29. Ginter, likewise, discloses that “portable appliance 2600 may have the form factor of a ‘smart card’” and, “[a]lternatively, such a portable electronic appliance 2600 may, for example, be packaged in a PCMCIA card configuration (or the like).” Ex. 1015, 230:20–29. Because Ginter’s portable electronic appliance is implemented either on a smart card, which the ’598 patent acknowledges can incorporate the functionality of a mobile phone SIM card, or on a PCMCIA card, which is more powerful than the standard smart card, we are persuaded that one skilled in the art would have found it obvious for Ginter’s portable electronic appliance 2600 to incorporate the functionality of a mobile phone SIM card.

We conclude that Petitioner has shown by a preponderance of the evidence that claim 26 of the ’598 Patent would have been obvious over Ginter.

IV. MOTIONS TO EXCLUDE

A. Petitioner’s Motion to Exclude

Petitioner filed a Motion to Exclude (Paper 37), Patent Owner filed an Opposition to Petitioner’s motion (Paper 43), and Petitioner filed a Reply in

support of its motion (Paper 48). Petitioner's Motion to Exclude seeks to exclude: (1) the testimony of Dr. Katz (Ex. 2030); and (2) the portions of the Patent Owner's Response (Paper 23) that refer to, or rely on, that testimony. Paper 37, 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 '598 patent. Paper 37, 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 43, 4–5.

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 48, 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 filed a Motion to Exclude (Paper 40), Petitioner filed an Opposition to Patent Owner's motion (Paper 44), and Patent Owner filed a Reply in support of its motion (Paper 47). Patent Owner's Motion to Exclude seeks to exclude (1) Exhibit 1002; (2) Exhibits 1003–1005, 1019, 1022, 1028, and 1029; (3) Exhibits 1006–1008, 1012, and 1020; (4) Exhibits 1016–1018; (5) Exhibits 1021 and 1121; (6) portions of Exhibit 1031; and (7) Exhibits 1101–1120 and 1122–1129. Paper 40. 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.

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 40, 2–3; Paper 47, 1–2. Specifically, Patent Owner argues that Petitioner does not need to cite Patent Owner's characterization of the '598 patent in the complaint because the '598 patent itself is in evidence. Moreover, according to Patent Owner, its characterization of the '598 patent is irrelevant and, even if relevant, cumulative to the '598 patent itself. *Id.*

Petitioner counters that it relies on Exhibit 1002 not as evidence of the content of the '598 patent, but to show that Patent Owner's characterization

of the '598 patent supports Petitioner's contention that the '598 patent relates is a covered business method patent. Paper 44, 2. Thus, according to Petitioner, it is highly relevant to the issue of whether the '598 patent is a covered business method patent. *Id.* Moreover, contends Petitioner, Patent Owner's characterization of the '598 patent in another proceeding is not in the '598 patent itself, and, therefore, Exhibit 1002 is not cumulative to the '598 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 '598 patent), but as evidence of how the Patent Owner has characterized the '598 patent. Patent Owner has not persuaded us that Exhibit 1002 is irrelevant, at least because its characterization of the '598 patent in prior proceedings are relevant to the credibility of its characterization of the '598 patent in this proceeding. Accordingly, we decline to exclude this exhibit.

Exhibits 1003–1005, 1019, 1022, 1028, and 1029

Patent Owner seeks to exclude Exhibits 1003–1005, 1019, 1022, 1028, and 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 40, 3–4; Paper 47, 2.

Petitioner counters that all of these exhibits except Exhibit 1022 (*see* Paper 44, 3 n.4) were cited in the Wechselberger Declaration as “Materials Reviewed and Relied Upon.” Paper 44, 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 1003–1005, 1019, 1028, and 1029. We grant the motion as to Exhibit 1022.

Exhibits 1006–1008, 1012, 1016–1018, and 1020

Patent Owner seeks to exclude Exhibits 1006–1008, 1012, 1016–1018, 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 40, 4–5; Paper 47, 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 44, 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.

Exhibits 1021 and 1121

Patent Owner seeks to exclude Exhibits 1021 and 1121—the Declarations of Mr. Wechselberger in the 108 case and 109 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 40, 6–8,

18–19; Paper 47, 3. 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 40, 8, 18–19; Paper 47, 3.

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 44, 5–6. 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 47, 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.

Exhibit 1031

Patent Owner seeks to exclude portions of Exhibit 1031 on the grounds that the questions asked were outside the scope of Dr. Katz’s declaration, and, therefore, should be excluded for not being in compliance with 37 C.F.R. § 42.53(d)(5)(ii). Paper 40, 9–17; Paper 47, 3–5.

Petitioner counters that 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 44, 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 44, 8–19.

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 47, 3.

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 40, 9. As Petitioner points out, however, claim 26 explicitly recites “a processor for controlling access to data,” and both the ’598 patent and the prior art involve controlling access to data based on payment. Paper 44, 9. Moreover, as Petitioner notes, Dr. Katz testifies that he “would qualify as an expert in the area of data storage *and access* systems such that I am qualified to opine on what those of ordinary skill in the art would have understood at the time of the filing of the patent and what he/she would or would not have been motivated to do.” Ex. 2030 ¶ 10. 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.

Patent Owner emphasizes that claim 26 does not recite the term "payment validation," but this is not dispositive. Paper 47, 3–4. The deposition of Dr. Katz covered his testimony in four related proceedings involving four different patents: CBM2014-00102 (Patent 8,118,221 B2), CBM2014-00106 (Patent 8,033,458 B2), CBM2014-00108 (Patent 8,061,598 B2), and CBM2014-00112 (Patent 7,942,317 B2). Ex. 1031, 1. Patent Owner would have us exclude testimony in this proceeding because the question posed used claim terms at issue only in the related proceedings. It would be overly burdensome, however, to require counsel to ask the same question four different times using claim language unique to a particular patent each time. Although some of the questions posed may have used terms or phrases not recited explicitly in claim 26 of the '598 patent, we are not persuaded that the use of such a term or phrase renders the answer elicited irrelevant to the issues in this proceeding. With respect to questions regarding conditional access at page 36, line 10 to page 37, line 11, for example, we agree with Petitioner that this testimony is relevant both to aspects of the prior art relied upon by Petitioner and to the operation of embodiments described in the '598 patent. Accordingly, we decline to exclude these portions of Exhibit 1031.

Exhibits 1101–1120 and 1122–1129

Patent Owner seeks to exclude Exhibits 1101–1120 and 1122–1129 (filed in the 109 case) under FRE 403 on the grounds that they are identical to Exhibits 1001–1020 and 1022–1029 (filed in the 108 case), and are, therefore, "needless cumulative evidence." Paper 40, 17–18; Paper 47, 5.

Petitioner counters that these exhibits should not be excluded for the same reasons that Exhibits 1001–1020 and 1022–1029 should not be excluded. Paper 44, 2 n.3.

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

V. CONCLUSION

Petitioner has shown, by a preponderance of the evidence, that claim 26 of the ’598 patent is unpatentable under 35 U.S.C. § 103.

VI. ORDER

Accordingly, it is:

ORDERED that claim 26 of the ’598 patent is determined to be *unpatentable*;

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

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

FURTHER ORDERED that Exhibit 1022 shall be expunged;

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.

CBM2014-00108
Patent 8,061,598 B2

PETITIONER:

J. Steven Baughman
Ching-Lee Fukuda
Megan Raymond
ROPES & GRAY LLP
steven.baughman@ropesgray.com
ching-lee.fukuda@ropesgray.com
megan.raymond@ropesgray.com

PATENT OWNER:

Michael R. Casey
J. Scott Davidson
DAVIDSON BERQUIST JACKSON & GOWDEY LLP
mcasey@dbjg.com
jsd@dbjg.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00108
Case CBM2014-00109
Patent 8,061,598

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

CLEMENTS, *Administrative Patent Judge.*

DECISION

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. (“Apple”), filed a Petition in CBM2014-00108 (Paper 2, “108 Pet.”) to institute a covered business method patent review of claims 1, 2, 7, 13, 15, 26, and 31 (the “challenged claims”) of U.S. Patent No. 8,061,598 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Apple also filed a Petition in CBM2014-00109 (Paper 2, “109 Pet.”) to institute a covered business method patent review of the challenged claims of the ’598 patent.

Patent Owner, Smartflash LLC (“Smartflash”), filed a Preliminary Response in CBM2014-00108 (Paper 6, “108 Prelim. Resp.”) and in CBM2014-00109 (Paper 6, “109 Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method 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

Apple contends that the challenged claims are unpatentable under 35 U.S.C. §§ 102 and/or 103 based on the following grounds (108 Pet. 26–75; 109 Pet. 29–78).

¹ Patent Owner argues that the multiple petitions filed against the ’598 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. 108 Prelim. Resp. 11-13; 109 Prelim. Resp. 11-13. 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 108 and 109 Petitions is within that requirement.

CBM2014-00108 and CBM2014-00109
Patent 8,061,598

Reference[s] ²	Basis	Claims challenged
CBM2014-00108		
Stefik '235 and Stefik '980 ³	§ 102	1, 2, 7, 13, 15, and 31
Stefik '235 and Stefik '980	§ 103	1, 2, 7, 13, 15, 26, and 31
Stefik '235, Stefik '980, and Poggio	§ 103	7
Stefik '235, Stefik '980, and Sato	§ 103	26
Stefik '235, Stefik '980, and Rydbeck	§ 103	26
CBM2014-00109		
Ginter	§ 102	1, 2, 7, 13, 15, 26, and 31
Ginter	§ 103	1, 2, 7, 13, 15, 26, and 31 ⁴

² U.S. Patent No. 5,530,235 (Ex. 1013) (“Stefik ’235”); U.S. Patent No. 5,629,980 (Ex. 1014) (“Stefik ’980”); U.S. Patent No. 5,915,019 (Ex. 1015) (“Ginter”); European Patent Application, Publication No. EP0809221A2 (translation) (Ex. 1016) (“Poggio”); JP Patent Application Publication No. H11-164058 (translation) (Ex. 1018) (“Sato”). Citations are to exhibits filed in CBM2014-00108, unless otherwise noted.

³ Petitioner contends that Stefik ’235 and Stefik ’980 should be treated as a single reference and refers to the references collectively as “Stefik.” 108 Pet. 30, n.13. Patent Owner disagrees that Stefik ’235 and Stefik ’980 should be considered as one reference. 108 Prelim. Resp. 13-15. 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 of the recited claim limitations in the same form and order as listed in the claim.

⁴ Although claim 31 is omitted in the heading on page 43 of the 109 Petition, we include it here because it is identified as obvious over Ginter elsewhere in the Petition. *See, e.g.*, 109 Pet. 32–33, 43 (“Ginter . . . renders obvious to a POSITA each of claims 1, 2, 7, 13, 15, 26, and 31, based on the disclosures identified below.”).

Reference[s] ²	Basis	Claims challenged
Ginter, Stefik '235, and Stefik '980	§ 103	1, 2, 7, 13, 15, and 26
Ginter and Sato	§ 103	1, 2, 7, 13, 15, and 26
Ginter and Poggio	§ 103	7
Ginter, Poggio, Stefik '235, and Stefik '980	§ 103	7

After considering the Petitions and Preliminary Responses, we determine that the '598 patent is a covered business method patent and that Apple has demonstrated that it is more likely than not that at least one of the challenged claims is unpatentable. Based on the information presented, we institute a covered business method patent review of claim 26 of the '598 patent.

C. Related Matters

The parties indicate that Smartflash has sued Apple for infringement of the '598 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.*, 108 Pet. 23; 108 Paper 5, 2. The parties also indicate that the '598 patent is the subject of a second district court case, to which Apple is not a party: *Smartflash LLC v. Samsung*, Case No. 6:13-cv-448 (E.D. Tex.). *Id.*

Apple filed ten other Petitions for covered business patent review challenging claims of patents owned by Smartflash and disclosing similar subject matter: CBM2014-00102; CBM2014-00103; CBM2014-00104; CBM2014-00105; CBM2014-00106; CBM2014-00107; CBM2014-00110; CBM2014-00111; CBM2014-00112; and CBM2014-00113.

D. The '598 Patent

The '598 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 1:29–55. The '598 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 2:1–5. The '598 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 25:49–52 (“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

Apple challenges claims 1, 2, 7, 13, 15, 26, and 31 of the '598 patent. Claims 1, 26, and 31 are independent. Claims 2, 7, 13, and 15 depend from claim 1. Claims 1 and 31 are illustrative of the claims at issue and recite the following:

1. A portable data carrier comprising:
 - an interface for reading and writing data from and to the portable data carrier;
 - content data memory, coupled to the interface, for storing one or more content data items on the carrier;
 - use rule memory to store one or more use rules for said one or more content data items;
 - a program store storing code implementable by a processor;
 - and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1001, 25:54–67.

31. A method of controlling access to content data, the method comprising:
 - receiving a data access request from a user for a content data item,
 - reading the use status data and one or more use rules from parameter memory that pertain to use of the requested content data item;
 - evaluating the use status data using the one or more use rules to determine whether access to the content data item is permitted; and
 - enabling access to the content data item responsive to a determination that access to the content data item is permitted.

Id. at 28:18–30.

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 '598 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 "use rule."

1. "use rule"

The term "use rule" is recited in independent claims 1 and 31. Neither party proposes a construction of "use rule." The '598 patent describes "use rules" as "for controlling access to the stored content" (Ex. 1001, Abstract) and as "indicating permissible use of data stored on the carrier" (*id.* at 9:14-16). The '598 patent also describes "evaluating the use status data using the use rules to determine whether access to the stored data is permitted." *Id.* at 6:38-40; *see also id.* at 21:48-53 ("[E]ach 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."). Accordingly, for purposes of this decision, we determine that "use rule" means "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 "covered 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

CBM2014-00108 and CBM2014-00109
Patent 8,061,598

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

Apple asserts that claim 7 “clearly concerns a computer system . . . for performing data processing and other operations used in the practice, administration, or management of a financial activity and service” because it “describes storing and providing payment data to a payment validation system.” 108 Pet. 16; 109 Pet. 16. Based on this record, we agree with Apple that the subject matter recited by claim 7 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” 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 ’598 patent, which confirms claim 7’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, 1:59–67; 6:60–64; 20:50–54.

Smartflash disagrees that Claim 7 satisfies the financial-in-nature requirement of AIA § 18(d)(1), arguing that section should be interpreted narrowly to cover only technology used specifically in the financial or banking industry. 108 Prelim. Resp. 3–9; 109 Prelim. Resp. 3–9. Smartflash cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Smartflash that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Smartflash 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 Smartflash’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, Smartflash asserts that claim 7 is not directed to an apparatus or method that is financial in nature because claim 7 “omits the specifics of how payment is made.” 108 Prelim. Resp. 8; 109 Prelim. Resp. 8. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Smartflash point to any other authority that makes such a requirement. 108 Prelim. Resp. 8; 109 Prelim. Resp. 8. We determine that because payment is required by claim 7, as Smartflash acknowledges, 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 '598 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*

Apple asserts that claim 7 does not fall within § 18(d)(1)'s exclusion for "technological inventions." 108 Pet. 17–22; 109 Pet. 18–23. In particular, Apple argues that claim 7 "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)). Smartflash disagrees and argues that claim 7, as a whole, recites at least one technological feature. 108 Prelim. Resp. 11; 109 Prelim. Resp. 10-11.

We are persuaded that claim 7 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim 1, on which claim 7 depends, recites a "portable data carrier." This component, however, is a generic hardware device known in the prior art. The Specification discloses, for instance, that a portable data carrier may be a "standard smart card." *See* Ex. 1001, 11:28–29; 108 Pet. 18; 109 Pet. 19. Claim 7 also recites 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 also id.* at 13:35–47.

In addition, the '598 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 '598 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). Thus, we determine that claim 7 is merely the recitation of a combination of known technologies, 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).

Smartflash also argues that claim 7 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed towards solving the technological problem of “data piracy” with the technological solution of “(1) a portable data carrier from which payment data is read and to which at least one content data item is written and (2) one or more use rules, also stored on the portable data carrier, specifying at least one use rule for using the content data item(s) written into the portable data carrier.” 108 Prelim. Resp. 10–11; 109 Prelim. Resp. 10–11. We are not persuaded by this argument because, as Apple argues, the problem being solved by claim 7 is a business problem—data piracy. 108 Pet. 21–22; 109 Pet. 21–22. For example, the Specification states that “[b]inding the 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. Thus, based on the particular facts of this proceeding, we conclude that claim 7 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 '598 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

C. Anticipation by Stefik '235 and Stefik '980

Apple argues that claims 1, 2, 7, 13, 15, and 31 are unpatentable under 35 U.S.C. § 102 as anticipated by Stefik '235 and Stefik '980. 108 Pet. 29-34, 41-76.

Analysis

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.

We are not persuaded that Apple has shown that Stefik '980 and Stefik '235 disclose “use rules,” as recited in independent claims 1 and 31. Apple cites the disclosure in Stefik '235 of a “description file contain[ing] the usage rights for the document,” and “a rights portion 504 wherein the granted usage rights and their status are maintained,” and the disclosure in Stefik '980 of “conflict rules . . . to dictate when and how a right may be exercised.” 108 Pet. 46–48. The quoted portions of Stefik '235 and Stefik '980, however, do not show sufficiently that usage rights are “a rule

specifying a condition under which access to content is permitted,” as we construed “use rules” to mean above. 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.” Ex. 1013, 8:8–10; *see also* Ex. 1014, 9:54–10:1 (describing right code field 1001 and status information field 1002). 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 leased 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 “use rules.” Likewise, the conflict rules taught in Stefik ’980 are not “a rule specifying a condition under which access to content is permitted,” because they do not, themselves, “specify a condition under which access to content is permitted;” they merely specify which of two conflicting usage rights must be satisfied. Accordingly, on the record before us, we are not persuaded that Apple has provided sufficient and credible evidence that Stefik ’235 and Stefik ’980 disclose “use rules.”

We also are not persuaded that Apple has shown that Stefik ’980 and Stefik ’235 disclose “use status data,” as recited in claim 31. Apple contends that Stefik ’235 and Stefik ’980 each disclose this limitation. 108

Pet. 70–74. Specifically, Apple contends that “usage rights status . . . stored in a descriptor file” corresponds to the claimed “use status data.” Pet. 72–74. Apple’s claim chart also cites portions of Stefik ’235 and Stefik ’980, as well as the Wechselberger Declaration, to support Apple’s contentions that “usage rights status” satisfies the claimed “use status data.” *Id.* (citing Ex. 1013, Abstract, 3:9–11, 4:44–46, 5:55–57; Ex. 1014, Abstract, 6:42–55, 7:26–31, 10:28–32 and Table 1, 11:59–12:7, 14:15–27, 19:12–15, 31:26–35; Ex. 1021, App’x D, 90–93). The cited portions of the Wechselberger Declaration repeat the contentions presented in the claim chart. *See* Ex. 1021, App’x D, 90–93.

The portions of Stefik ’235 and Stefik ’980 quoted by Apple’s claim chart relate to usage rights attached to digital works. *See* 108 Pet. 67 (quoting Ex. 1013, 3:9–11, 4:40–46, 8:8–10). For example, Stefik ’235 explains that “[u]sage rights are attached to digital works and control how the digital work can be used or distributed, and are further used to specify any fees associated with use or distribution of digital works.” *Id.* at 4:40–43. Apple further identifies a “status information field 1002” that “will contain information relating to the state of a right and the digital work.” 108 Pet. 71 (quoting Ex. 1014, 10:28–32). Apple does not explain sufficiently, however, why usage rights status or status information field 1002 satisfy “use status data.” For example, Apple does not explain why usage rights in Stefik ’235 and Stefik ’980 is within the scope of the examples of “use status data” provided by the Specification of the ’598 patent (e.g., “indicating a use status of data” (Ex. 1001, 9:13–14), “indicating past use of the stored data” (*id.* at 9:33–35), “present use status” (*id.* at 24:38), “actual use of the data item made so far” (*id.* at 24:44–45), “how much use has been made of the

accessed content data time” such as “start and end time markers or simply a play duration time” (*id.* at 24:67–25:4)). In addition to the quoted portions of Stefik ’980, Apple also cites Table 1. 108 Pet. 71, 73. To the extent that Apple relies upon Table 1 of Stefik ’980 as disclosing “use status data,” Apple has not explained adequately the significance of that disclosure. Thus, we are not persuaded that either Stefik ’235 or Stefik ’980 discloses this limitation.

Conclusion

On this record, we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as anticipated by Stefik ’235 and Stefik ’980.

D. Obviousness over Stefik ’235 and Stefik ’980

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik ’235 and Stefik ’980. 108 Pet. 29–34, 41–76.

Analysis

In light of the arguments and evidence, Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over the combination of Stefik ’235 and Stefik ’980, but has not established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Stefik ’235 and Stefik ’980.

For example, with respect to claim 26, Apple argues that “[a] POSITA would have been motivated and found it obvious to employ a memory card for a mobile or cellular device that included a SIM portion that identifies a subscriber to a network operator, such as a mobile phone, as a repository in Stefik’s content distribution and access network.” 108 Pet. 65, n.17; *see*

also id. at 4, n.2 (citing Ex. 1001, 4:9–13; Ex. 1011, 108). On this record, we are persuaded that Apple’s citations support Apple’s contentions.

We are not persuaded by Smartflash’s argument that there is no evidence that one of ordinary skill in the art would have combined the teachings of Stefik ’235 with the teachings of Stefik ’980 because Smartflash’s argument is based on an unproven premise that Stefik ’235’s reference to Stefik ’980 must uniquely identify Stefik ’980. 108 Prelim. Resp. 15. One reference need not explicitly identify another reference by “application serial number, filing date, inventors or attorney docket number” (*id.* at 14) in order to form the basis for an obviousness combination. Apple argues that “there is explicit motivation to implement the repository disclosed by Stefik ’980 using the Document Card (DocuCard) of Stefik ’235.” 108 Pet. 30, n.13 (citing Ex. 1013, 2:47–52; Ex. 1014, 16:56–58; Ex. 1021 ¶ 56⁵). 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 Apple 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)).

⁵ On this record, we are not persuaded by Smartflash’s argument that the Declaration of Mr. Wechselberger is entitled to little or no weight because it does not disclose the underlying facts on which the opinion is based. 108 Prelim. Resp. 16–19; 109 Prelim. Resp. 20–24. Smartflash 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.

With respect to claims 1 and 31, however, we are not persuaded that Apple has shown that Stefik '980 and Stefik '235 teaches “use rules” or “use status data” for the reasons discussed above. Moreover, Apple does not argue that “use rules” or “use status data” are obvious in view of Stefik '235 and Stefik '980, as it does with other limitations in various footnotes throughout the Petition. Accordingly, we also are not persuaded that the teachings of Stefik '235 and Stefik '980 identified by Apple render obvious the recited “use rules” and “use status data.”

Conclusion

On this record, we are persuaded that Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Stefik '235 and Stefik '980, but we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Stefik '235 and Stefik '980.

E. Anticipation by Ginter

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 102(b) as anticipated by Ginter. 109 Pet. 29–33, 43–78.

Analysis

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.

In light of the arguments and evidence, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable as anticipated by Ginter.

With respect to independent claims 1 and 31, we are not persuaded that Apple has shown sufficiently that Ginter discloses “use rules.” Apple identifies in a parenthetical Ginter’s “billing method map MDE and/or budget method UDE” as the recited “use rules.” 109 Pet. 50–53, 75–78. The quoted portions of Ginter, however, do not show sufficiently that the billing method map MDE and/or budget method UDE reflects “a rule specifying a condition under which access to content is permitted,” as we construed “use rules” to mean above. The examples given in the quoted portions of Ginter—“e.g., a price list, table, or parameters to the billing amount calculation algorithm”—relate to billing for use of a VDE content object, but not to “a rule specifying a condition under which access to content is permitted.” Ex. 1015, 190:45–57. For claims 2 and 31, Apple cites Ginter’s disclosure that, “[t]he BUDGET method 1510 might, for example, specify a use process 1476 that compares a meter count to a budget value and fail the operation if the meter count exceeds the budget value” (109 Pet. 77 (citing Ex. 1015, 172:32–35)), but it is not clear whether Apple is relying upon use process 1476 as satisfying “use rules.” In any event, Apple does not show that use process 1476 is part of the billing method map MDE and/or budget method UDE, which it argues satisfies “use rules.” Accordingly, on the record before us, we are not persuaded that Apple has provided sufficient and credible evidence that Ginter discloses “use rules.”

With respect to independent claim 26, which recites a “subscriber identity module (SIM),” Apple argues that “a POSITA would have understood that . . . a personal digital assistant with access to a wide area network . . . necessarily and thus inherently includes a subscriber identity module (SIM) portion.” 109 Pet. 72, n.29. Smartflash argues that Apple

does not provide a citation to any reference to support its contention. 109 Prelim. Resp. 14–15. “Inherency . . . may not be established by probabilities or possibilities.” *In re Oelrich*, 666 F.2d 578, 581 (CCPA 1981) (quoting *Hansgirk v. Kemmer*, 102 F.2d 212, 214 (CCPA 1939)). A SIM card is designed for use with a mobile device that complies with the Global System for Mobile Communications standard. *See, e.g., Microsoft Computer Dictionary*, 2d. Ed. (2002) (“**SIM card n.** Short for **Subscriber Identity Module card**. A smart card is designed for use with GSM (Global System for Mobile Communications) mobile phones. SIM cards contain chips that store a subscriber’s personal identifier (SIM PIN), billing information, and data (names, phone numbers).” (emphasis original)). Apple identifies nothing in Ginter that discloses that its personal digital assistant complies with the GSM standard, and nothing in Ginter precludes the use of alternative standards. To the extent that Ginter’s personal digital assistant communicates over a wireless wide area network based on a standard other than GSM, such as Code Division Multiple Access (CDMA), it does not require a SIM card. Accordingly, on this record, we are not persuaded that a SIM card is inherent in Ginter.

Conclusion

On this record, we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable as anticipated by Ginter.

F. Obviousness over Ginter

Apple argues that claims 1, 2, 7, 13, 15, 26, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter. 109 Pet. 29–33, 43–78.

Analysis

In light of the arguments and evidence, Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Ginter, but has not established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Ginter.

With respect to the “subscriber identity module (SIM)” recited in claim 26, Apple argues that “a POSITA would have considered it at minimum obvious for the portable data carrier (*e.g.* electronic appliance) to communicate with Ginter’s network using a cellular connection and therefore to include a subscriber identity module (SIM) portion.”

109 Pet. 72, n.29; *see also id.* at 4, n.2 (citing Ex. 1001, 4:9–13; Ex. 1011, 108). Smartflash does not dispute Apple’s contention that use of a SIM would have been obvious. On this record, we are persuaded that a SIM would have been obvious in view of Ginter.

With respect to independent claims 1 and 31, however, we are not persuaded that Apple has shown sufficiently that Ginter teaches “use rules” for the reasons discussed above. We also are not persuaded that Ginter’s budget method UDE renders obvious the claimed “use rules.” *See* 109 Pet. 76 n.33. Apple discusses Ginter “using a budget method UDE specific to a particular VDE content object to limit access to that VDE content object,” and concludes that one skilled in the art “would have considered it at minimum obvious to use a budget method UDE pertaining to a particular content item (*e.g.*, VDE content object) to limit user access to that particular content item (*e.g.*, VDE content object).” *Id.* Apple, however, does not explain why limiting access to a VDE content object based on Ginter’s budget method UDE teaches “a rule specifying a condition under which

access to content is permitted.” Apple does not provide any further rationale as to why claims 1 and 31 would have been obvious over Ginter, and the cited portion of the Wechselberger Declaration simply reiterates Apple’s contentions and conclusory reasoning. *See* 109 Pet. 76, n.33; Ex. 1121, App’x D 113-115.

Conclusion

On this record, we are persuaded that Apple has established that it is more likely than not that claim 26 is unpatentable as obvious over Ginter, but we are not persuaded that Apple has established that it is more likely than not that claims 1, 2, 7, 13, 15, and 31 are unpatentable as obvious over Ginter.

G. Obviousness over Ginter, Stefik ’235, and Stefik ’980

Apple argues that claims 1, 2, 7, 13, 15, and 26 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter, Stefik ’235, and Stefik ’980. 109 Pet. 36–40, 43–78. Claims 2, 7, 13, and 15 depend from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over Ginter. Moreover, in the 109 Petition, Apple does not allege that Stefik ’235 and Stefik ’980 teach the “use rules” limitation, and therefore does not show sufficiently that Stefik ’235 and Stefik ’980 cure the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, and 15 are unpatentable as obvious over Ginter, Stefik ’235, and Stefik ’980. Claim 26, which does not recite “use rules,” is addressed in “Other Grounds,” below.

H. Obviousness over Ginter and Sato

Apple argues that claims 1, 2, 7, 13, 15, and 26 are unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter and Sato. 109 Pet. 41–78.

Claims 2, 7, 13, and 15 depend from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that independent claim 1 is unpatentable as obvious over Ginter. In the 109 Petition, Apple does not allege that Sato teaches “use rules,” and therefore does not show sufficiently that Sato cures the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claims 1, 2, 7, 13, and 15 are unpatentable as obvious over Ginter and Sato. Claim 26, which does not recite “use rules,” is addressed in “Other Grounds,” below.

I. Obviousness over Ginter and Poggio

Apple argues that claim 7 is unpatentable under 35 U.S.C. § 103(a) as obvious over Ginter and Poggio. 109 Pet. 33–36, 60–64. Claim 7 depends from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over Ginter. Moreover, in the 109 Petition, Apple does not allege that Poggio teaches “use rules,” and therefore does not show sufficiently that Poggio cures the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claim 7 is unpatentable as obvious over Ginter and Poggio.

J. Obviousness over Stefik ’235, Stefik ’980, and Poggio; and Ginter, Poggio, Stefik ’235, and Stefik ’980

Apple argues that claim 7 is unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik ’235, Stefik ’980, and Poggio, as well as over Ginter,

Poggio, Stefik '235 and Stefik '980. 108 Pet. 34-37, 55-59; 109 Pet. 33–36, 60–64. Claim 7 depends from claim 1. As explained above, we are not persuaded that Apple has established that it is more likely than not that claim 1 is unpatentable as obvious over either the combination of Stefik '235 and Stefik '980 or Ginter. Moreover, in the 108 Petition, Apple does not allege that “Poggio” teaches “use rules,” and in the 109 Petition, Apple does not allege that Poggio, Stefik '235, or Stefik '980 teach “use rules.” Apple therefore does not show sufficiently that Poggio cures the deficiency in the 108 Petition that we noted above, or that Poggio, Stefik '235, or Stefik '980 cure the deficiency in the 109 Petition that we noted above. Accordingly, on this record, Apple has not established that it is more likely than not that claim 7 is unpatentable as obvious over Stefik '235, Stefik '980, and Poggio or over Ginter, Poggio, Stefik '235, and Stefik '980.

K. Other Grounds

Apple also asserts the following grounds of unpatentability:

Reference[s]	Basis	Claims challenged
Stefik and Sato	§ 103	26
Stefik and Rydbeck	§ 103	26
Ginter, Stefik '235, and Stefik '980	§ 103	26
Ginter and Sato	§ 103	26

108 Pet. 41–76; 109 Pet. 43–78. We decline to institute on these asserted grounds as redundant in light of our determination that it is more likely than not that the challenged claims are unpatentable based on the grounds of unpatentability on which we institute a covered business method patent review. *See* 37 C.F.R. § 42.208(a).

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. We terminate CBM2014-00109; all further filings shall be made in the consolidated proceeding in CBM2014-00108.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Apple would prevail in establishing the unpatentability of claim 26 of the '598 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

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

1. Claim 26 under 35 U.S.C. § 103(a) as obvious over Stefik '235 and Stefik '980;
2. Claim 26 under 35 U.S.C. § 103(a) as obvious over Ginter;

FURTHER ORDERED that all other grounds raised in the CBM2014-00108 and CBM2014-00109 Petitions are *denied* for the reasons discussed above;

CBM2014-00108 and CBM2014-00109
Patent 8,061,598

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 CBM2014-00108 and CBM2014-00109 are hereby instituted and consolidated;

FURTHER ORDERED that all further filings in the consolidated proceedings shall be made in CBM2014-00108, and CBM2014-00109 is herein terminated under 37 C.F.R. § 42.72;

FURTHER ORDERED that the case caption for CBM2014-00108 shall be changed to reflect the consolidation in accordance with the attached example; and

FURTHER ORDERED that a copy of this Decision be entered into the files of Cases CBM2014-00108 and CBM2014-00109.

CBM2014-00108 and CBM2014-00109
Patent 8,061,598

PETITIONER:

J. Steven Baughman
Ching-Lee Fukuda
ROPES & GRAY LLP
steven.baughman@ropesgray.com
ching-lee.fukuda@ropesgray.com

PATENT OWNER:

Michael R. Casey
J. Scott Davidson
DAVIDSON BERQUIST JACKSON & GOWDEY LLP
mcasey@dbjg.com
jsd@dbjg.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00108¹
Patent 8,061,598

¹ Case CBM2014-00109 has been consolidated with the instant proceeding.

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.

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)

PETITIONER:

J. Steven Baughman
Ching-Lee Fukuda
ROPES & GRAY LLP
steven.baughman@ropesgray.com
ching-lee.fukuda@ropesgray.com

PATENT OWNER:

Michael R. Casey
J. Scott Davidson
DAVIDSON BERQUIST JACKSON & GOWDEY LLP
mcasey@dbjg.com
jsd@dbjg.com