

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00017

Patent 8,061,598 B2

PATENT OWNER'S NOTICE OF APPEAL

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 March 30, 2016 (Paper 46), the *Decision Denying Request for Rehearing* entered on June 10, 2016 (Paper 49) 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 April 10, 2015 (Paper 22).

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, 2, 15 and 31 of the ‘598 Patent are unpatentable under 35 U.S.C. § 101;
- Whether the Board erred in denying in part Patent Owner’s Motion to Exclude (Paper 38); and
- 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.

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: August 9, 2016

/ Michael R. Casey /

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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 E2E System and was served, by agreement of the parties, by emailing copies to counsel for the Petitioner as follows:

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The undersigned hereby further certifies that on August 9, 2016 this PATENT OWNER'S NOTICE OF APPEAL (and its three attached decisions) were filed with the Federal Circuit via CM/ECF (along with one courtesy copy 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
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Dated: August 9, 2016

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

CLEMENTS, *Administrative Patent Judge.*

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71

¹ Apple has been dismissed as a Petitioner. Paper 49, 8.

INTRODUCTION

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable. Paper 46 (“Final Dec.”), 26.

Patent Owner requests rehearing of the Final Decision. Paper 48 (“Request” or “Req. Reh’g”). Having considered Patent Owner’s Request, we decline to modify our Final Decision.

STANDARD OF REVIEW

In covered business method review, the petitioner has the burden of showing unpatentability by a preponderance of the evidence. 35 U.S.C. § 326(e). The standard of review for rehearing requests is set forth in 37 C.F.R. § 42.71(d), which states:

The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically

identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

ANALYSIS

Patent Owner's Request is based on a disagreement with our determination that claims 1, 2, and 15 ("the challenged claims") are directed to patent-ineligible subject matter.² Req. Reh'g 2. In its Request, Patent Owner presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014) (Req. Reh'g 5–10) and alleged differences between the challenged claims and those at issue in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347 (2014) (*id.* at 10–15).

As noted above, our rules require that the requesting party "specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply." 37 C.F.R. 42.71(d) (emphasis added). In its Request, however, Patent Owner does not identify any specific matter that we misapprehended or overlooked. Rather, the only citation to Patent Owner's previous arguments are general citations, without explanation as to how we misapprehended or overlooked any particular matter in the record. For example, with respect to Patent Owner's arguments regarding *DDR Holdings*, Patent Owner simply notes that "[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims were similar to those in *DDR Holdings* was previously addressed. See PO Resp. 1, 10–12." Request 7 n.3. Similarly, in Patent Owner's

² Patent Owner does not seek rehearing with respect to claim 31.

arguments regarding *Alice*, Patent Owner simply notes that “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the claims are abstract ideas was previously addressed. *See* PO Resp. 10–22; *see also* Tr. 46:21–47:11” (*id.* at 10 n.5) and “[p]ursuant to 37 C.F.R. § 42.71(d), the issue of whether the challenged claims contain ‘additional features’ beyond an abstract idea was previously addressed. *See* PO Resp. 11–12” (*id.* at 12 n.7). These generic citations to large portions of the record do not identify, with any particularity, specific arguments that we may have misapprehended or overlooked.

Rather than providing a proper request for rehearing, addressing particular matters that we previously misapprehended or overlooked, Patent Owner’s Request provides new briefing by expounding on argument already made. Patent Owner cannot simply allege that an “issue” (e.g., whether the claims are directed to an abstract idea) was previously addressed, generally, and proceed to present new argument on that issue in a request for rehearing. *See* 37 C.F.R. § 42.71.

Patent Owner’s arguments are either new or were addressed in our Final Decision. For example, Patent Owner’s argument that the challenged claims are not directed to an abstract idea (Req. Reh’g 10–12) is new, and therefore, improper in a request for rehearing, because Patent Owner did not argue the first step of the analysis articulated in *Mayo* and *Alice* in its Patent Owner Response (*see* Paper 32 (PO Resp.) *passim* (arguing only the second step of the *Mayo* and *Alice* test)). To the extent portions of the Request are supported by Patent Owner’s argument in the general citations to the record, we considered those arguments in our Final Decision, as even Patent Owner acknowledges. *See, e.g.*, Req. Reh’g 6–7 (citing Final Dec. 15) (“The Board

rejected Patent Owner’s reliance on *DDR Holdings* (at 15), holding that the challenged claims were not ‘rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.’”). For example, Patent Owner’s arguments about inventive concept (Req. Reh’g 5–6, 12–15) were addressed at pages 9–12 and 16–18 of our Final Decision, Patent Owner’s arguments about preemption (Req. Reh’g. 6) were addressed at pages 18–20 of our Final Decision, and Patent Owner’s arguments about *DDR Holdings* (Req. Reh’g. 6–10) were addressed at pages 12–16 of our Final Decision. Mere disagreement with our Final Decision also is not a proper basis for rehearing.

Accordingly, Patent Owner’s Request does not apprise us of sufficient reason to modify our Final Decision.

ORDER

Accordingly, it is:

ORDERED that Patent Owner’s Request is *denied*.

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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

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition to institute covered business method patent review of claims 1, 2, 7, 15, and 31 of U.S. Patent No. 8,061,598 B2 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 9 (“Pet.”). We instituted a covered business method patent review (Paper 22, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 1, 2, 15, and 31 (“the challenged claims”) are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19. Because we had already instituted a review of claim 7 under § 101 in CBM2014-00193, we declined to institute a review of claim 7 under this ground in this case. *Id.* at 16.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 32, “PO Resp.”) and Petitioner filed a Reply (Paper 34, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 44 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 1, 2, 15, and 31 of the ’598 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

The ’598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D.

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Tex. 2014); *Smartflash LLC v. Apple Inc.*, Case No. 6:15-cv-145 (E.D. Tex. 2015). Paper 43, 4–5.

In a previous covered business method patent review, CBM2014-00108, we issued a Final Written Decision determining that claim 26 is unpatentable under 35 U.S.C. § 103. CBM2014-00108, Paper 50.

We also concurrently issue a Final Written Decision in CBM2014-00193 finding that claim 7 of the '598 patent is directed to patent-ineligible subject matter under 35 U.S.C. § 101.

C. 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. 1201, 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 the alleged invention 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.”).

D. Challenged Claims

The claims under review are claims 1, 2, 15, and 31 of the ’598 patent. Claims 1 and 31 are independent, and claims 2 and 15 depend from claim 1. Claims 1 and 31 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. 1201, 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 need not construe expressly any claim term.

B. Statutory Subject Matter

The Petition challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26–38. According to the Petition, the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Patent Owner argues that the challenged claims are statutory because they are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” that of “data content piracy.” PO Resp. 1.

1. Abstract Idea

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine”—i.e., a “portable data carrier” (claim 1)—and a “process”—i.e., a “method” (claim 31)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l.*, 134 S. Ct. 2347, 2354 (2014) (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)). In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

According to the Federal Circuit, “determining whether the section 101 exception for abstract ideas applies involves distinguishing between patents that *claim the building blocks of human ingenuity*—and therefore risk broad pre-emption of basic ideas—and patents that integrate those building blocks into something more, enough to transform them into specific patent-eligible inventions.” *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1332 (Fed. Cir. 2015) (emphasis added); *accord id.* at 1333–34

(“It is a *building block*, a *basic conceptual framework* for organizing information” (emphasis added)). This is similar to the Supreme Court’s formulation in *Bilski v. Kappos*, 561 U.S. 593, 611 (2010) (emphasis added), noting that the concept of risk hedging is “a *fundamental economic practice* long prevalent in our system of commerce.” *See also buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1353–54 (Fed. Cir. 2014) (stating that patent claims related to “long-familiar commercial transactions” and relationships (i.e., business methods), no matter how “narrow” or “particular,” are directed to abstract ideas as a matter of law). As a further example, the “concept of ‘offer based pricing’ is similar to other ‘fundamental economic concepts’ found to be abstract ideas by the Supreme Court and [the Federal Circuit].” *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claims are directed to the abstract idea of “paying for and/or controlling access to content.” Pet. 26. Specifically, Petitioner contends that “[m]ethod claim 31 and device claims 1, 2 and 15 are drawn to the concept of controlling access in that they recite steps to and ‘code to’ evaluate rules to determine whether access is permitted.” *Id.* at 29. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–20; *see also* Paper 44 (transcript of oral hearing), 46:21–47:11 (Patent Owner arguing that the challenged claims do not cover an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to

performing the fundamental economic practice of conditioning and controlling access to content (claims 1, 2, 15, and 31). For example, claim 1 recites “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.” Claim 31 recites “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.”

As discussed above, the '598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The Specification explains that these pirates obtain data either by unauthorized or legitimate means and then make the data available over the Internet without authorization. *Id.* The Specification further explains that once data has been published on the Internet, it is difficult to police access to and use of that data by internet users who may not even realize that it is pirated. *Id.* The '598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. *Id.* at 1:59–2:4. The '598 patent makes clear that the crux of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.* at 1:59–2:15.

Although the Specification refers to data piracy on the Internet, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is paying for and/or controlling access to content, as Petitioner contends. As

discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 1, 2, 15 and 31 of the '598 patent are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*, 132 S. Ct. at 1297). “This requires more than simply stating an abstract idea while adding the words ‘apply it’ or ‘apply it with a computer.’ Similarly, the prohibition on patenting an ineligible concept cannot be circumvented by limiting the use of an ineligible concept to a particular technological environment.” *Versata*, 793 F.3d at 1332 (citations omitted). Moreover, the mere recitation of generic computer components performing conventional functions is not enough. *See Alice*, 134 S. Ct. at 2360 (“Nearly every computer will include a ‘communications controller’ and ‘data storage unit’ capable of performing the basic calculation, storage, and transmission functions required by the method claims.”).

Petitioner argues that “the Challenged Claims do nothing more than recite routine, conventional computer functions in implementing an abstract

idea.” Pet. Reply 8. We are persuaded that claims 1, 2, 15, and 31 of the ’598 patent do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are either field of use limitations and/or generic features of a computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 30–36.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they “are directed only to an abstract idea with nothing more than ‘well-understood, routine, conventional activity’ added.” Pet. 30–31 (citations omitted). Patent Owner disagrees, arguing that the challenged claims are patentable because they recite “specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 11–12 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The ’598 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components (e.g., interfaces, memory, program store, and processor). *See* Pet. Reply 5–8, 13–14 (citing Ex. 1201, 4:4–5, 16:46–50, 18:7–11). With respect to the “portable data carrier” recited in claim 1, for example, the

Specification states it may be a generic device such as “a standard smart card.” Ex. 1201, 11:27–29; *see also id.* at 14:25–29 (“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6.

Further, the claimed computer code performs generic computer functions, such as storing, retrieving, receiving, reading, evaluating, and enabling access to. *See* Pet. 32–33. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”).

Moreover, we are not persuaded that claims 1, 2, 15, and 31 “recite specific ways of using distinct memories, data types, and use rules that amount to significantly more than” paying for and/or controlling access to content. *See* PO Resp. 11–12. The challenged claims generically recite several memories, including “content data memory,” “use rule memory,” “a program store,” and “payment data memory,” and generically recite several data types, including “data,” “content data items,” “use rules,” “code,” “payment data,” and “use status data.” We are not persuaded that the recitation of these memories and data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’598 patent related to the way these memories or data types are constructed or used. In fact, the ’598 patent

simply discloses these memories and data types with no description of the underlying implementation or programming. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 38; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state or thing. Pet. 38.

Thus, we determine, the potentially technical elements of the challenged claims are nothing more than “generic computer implementations” and perform functions that are “purely conventional.” *Alice*, 134 S. Ct. at 2358–59; *Mayo*, 132 S. Ct. at 1294.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claims are directed to statutory subject

matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 1 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier the digital content data item and at least one use rule (claim 1), and “code to provide access to the at least one content data item in accordance with the at least one use rule” (claim 2), or “a content access PIN memory store to store a PIN number for controlling access to the content data memory” (claim 15), or “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” (claim 31), access control to the digital content data item can be continuously enforced prior to access to the digital content data item, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected, and additional content can be obtained.

Id. at 10–11.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Pet. Reply 9–17. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical

venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”—that of “data content piracy”—(PO Resp. 1), and “address the technological problem created by the nature of digital content and the Internet” (*id.* at 11–12). Data piracy exists in contexts other than the Internet. *See* Pet. Reply 10–13 (identifying other contexts in which data piracy is a problem). For example, data piracy existed in the contexts

of compact discs, the pay TV industry, software data, and DVDs. *Id.* at 11 (citing Ex. 1219 ¶ 77; Ex. 1201, 5:9–12 (“where the data carrier stores . . . music, the purchase outright option may be equivalent to the purchase of a compact disc (CD), preferably with some form of content copy protection such as digital watermarking”); Ex. 1215, 1:13–23. Further, whatever the problem, the solution provided by the challenged claims is not rooted in specific computer technology, but is based on controlling access based on payment or rules. *See* Pet. Reply 11–12 (citing Ex. 1219 ¶¶ 37, 75–77; Ex. 1208, Abstract, 4:27–35).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 10–12), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by comparing the challenged claims of the ’598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 2 of the ’598 patent recites “code to provide access to the at least one content data item in accordance with the at least one use rule.” There is no language in this claim, in any of the other challenged claims, or in the specification of the ’598 patent, that demonstrates that the generic computer components—“code to provide access” and “content data item” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to provide access,” “content data item,” and “use rule” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.”

Ultramerical, Inc., 772 F.3d at 716. This limitation merely relies on conventional devices and computer processes operating in their “normal, expected manner.” *OIP Techs.*, 788 F.3d at 1363 (citing *DDR Holdings*, 773 F.3d at 1258–59).

On the other hand, the claims at issue in *Ultramerical*, like the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramerical* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramerical*, the majority of limitations in the challenged claims comprise this abstract concept of controlling access to content. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “memory,” “program store,” and “processor,” and routine additional steps such as receiving an access request for content, reading use status data and use rules, evaluating use status data using the use rules, and enabling access to the content does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as updating an activity log, requiring a request from the consumer to view the ad, restrictions on public access, and use of the Internet does not transform an otherwise abstract idea into patent-eligible subject matter.”).

We are, therefore, persuaded that the challenged claims are closer to the claims at issue in *Ultramerical* than to those at issue in *DDR Holdings*.

c. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the

following disclosure from the '598 patent: “[b]y combining digital rights management with content data storage using a single carrier, the stored content data becomes mobile and can be accessed anywhere while retaining control over the stored data for the data content provider or data copyright owner.” PO Resp. 7 (quoting Ex. 1201, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier the digital content, the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* Patent Owner concludes that

By comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id. at 7–8.

As Petitioner notes, the concepts of continuous enforcement, and subsequent, portable, and disconnected use are not recited in the challenged claims. Pet. Reply 6 n.2. We additionally note that none of the challenged claims recite “partial use status data.” Moreover, the concept of storing two different types of information in the same place or on the same device is an age old practice. For example, storing names and phone numbers (two different types of information) in the same place, such as a book, or on a storage device, such as a memory device was known. That Patent Owner alleges two specific types of information—content and the payment data—are stored in the same place or on the same storage device does not alter our determination. The concept was known and Patent Owner has not persuaded us that applying the concept to these two specific types of information results in the claim reciting an inventive concept. Furthermore, the prior art

discloses products that could store both the content and conditions (including payment validation) for providing access to the content. *See, e.g.*, Pet. 7–8 (citing Ex. 1216); Ex. 1216, 10:24–30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 40 (citing Ex. 1212); Ex. 1212, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to the digital content and purchase of additional content (PO Resp. 10–11)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

d. Preemption

The Petition states that the “broad functional nature [of the challenged claim] firmly triggers preemption concerns.” Pet. 36. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 13–20. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea, but rather recites a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 13 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the

existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 18–20.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] [its] § 101 jurisprudence.” *Alice*, 134 S. Ct. at 2358. The concern “is a relative one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. “While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility.” *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015). Importantly, the preemption concern is addressed by the two-part test considered above. *See id.* After all, every patent “forecloses . . . future invention” to some extent, *Mayo*, 132 S. Ct. at 1292, and, conversely, every claim limitation beyond those that recite the abstract idea limits the scope of the preemption. *See Ariosa*, 788 F.3d at 1379 (“The Supreme Court has made clear that the principle of preemption is the basis for the judicial exception to patentability. . . . For this reason, questions on preemption are inherent in and resolved by the § 101 analysis.”).

The two-part test elucidated in *Alice* and *Mayo* does not require us to anticipate the number, feasibility, or adequacy of non-infringing alternatives to gauge a patented invention’s preemptive effect in order to determine whether a claim is patent-eligible under § 101. *See* Pet. Reply 17–20 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claims are immaterial to the patent eligibility inquiry).

The relevant precedents simply direct us to ask whether the claim involves one of the patent-ineligible categories, and, if so, whether additional limitations contain an “inventive concept” that is “sufficient to ensure that the claim in practice amounts to ‘significantly more’ than a patent on an ineligible concept.” *DDR Holdings*, 773 F.3d at 1255. This is the basis for the rule that the unpatentability of abstract ideas “cannot be circumvented by attempting to limit the use of the formula to a particular technological environment,” despite the fact that doing so reduces the amount of innovation that would be preempted. *Diamond v. Diehr*, 450 U.S. 175, 191 (1981); *see also Alice*, 134 S. Ct. at 2358; *Mayo*, 132 S. Ct. at 1303; *Bilski*, 561 U.S. at 612; *Parker v. Flook*, 437 U.S. 584, 593 (1978). The Federal Circuit spelled this out, stating that “[w]here a patent’s claims are deemed only to disclose patent ineligible subject matter under the *Mayo* framework, as they are in this case, preemption concerns are fully addressed and made moot.” *Ariosa*, 788 F.3d at 1379.

As described above, after applying this two-part test, we are persuaded that the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

e. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (“the “co-pending litigation”) with Patent Owner (PO Resp. 20–

21); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 21).

We are not persuaded by the first argument because Patent Owner does not provide any authority that precludes us from deciding the issue of patent eligibility under § 101 in the context of the present AIA proceeding, even where a non-final district court ruling on § 101 exists. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–42 (Fed. Cir. 2013). We also are not persuaded by the second argument because Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims of the ’598 Patent are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 21.

3. *Conclusion*

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 1, 2, 15, and 31 of the ’598 patent are unpatentable under 35 U.S.C. § 101.

C. Patent Owner’s Motion to Exclude

Patent Owner filed a Motion to Exclude (Paper 38, “Motion”), Petitioner filed an Opposition to Patent Owner’s Motion (Paper 41, “Opp.”), and Patent Owner filed a Reply in support of its Motion (Paper 42). Patent Owner seeks to exclude Exhibits 1202–1208, 1211, 1212–1219, and 1225–1227. Mot. 1. 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* and *denied-in-part*.

1. Exhibit 1202

Patent Owner seeks to exclude Exhibit 1202—the First Amended Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–3; Paper 42, 1–2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’598 patent in the complaint because the ’598 patent itself is in evidence. Mot. 2. Moreover, according to Patent Owner, its characterization of the ’598 patent is irrelevant and, even if relevant, cumulative to the ’598 patent itself. *Id.* at 2–3.

We are persuaded that Exhibit 1202 is offered not for the truth of the matter asserted (i.e., the content of the ’598 patent), but as evidence of how Patent Owner has characterized the ’598 patent. Thus, Patent Owner has not persuaded us that Exhibit 1202 is evidence of the content of a writing or that it is cumulative to the ’598 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1202 is irrelevant, at least because its characterization of the ’598 patent in prior proceedings is relevant to the credibility of its characterization of the ’598 patent in this proceeding. Patent Owner contends that Exhibit 1202 does not contradict its characterization of the ’598 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Opp. 2), Patent Owner’s characterization of the ’598 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’598 patent does not satisfy the “financial in nature”

requirement for a covered business method patent review (Paper 18 (Preliminary Response), 5–10).

Accordingly, we decline to exclude Exhibit 1202.

2. Exhibit 1205

Patent Owner seeks to exclude Exhibit 1205 as irrelevant under FRE 401 and 402 because it is not cited in the Petition or the Wechselberger Declaration,¹ and our Decision to Institute did not base any of its analysis on that exhibit. Mot. 3–4.

Petitioner does not oppose excluding Exhibit 1205. Opp. 3 n.1.

Petitioner asserts no basis for Exhibit 1205 to remain in this proceeding. Moreover, as Petitioner notes, it does not rely on Exhibit 1205, and neither our Decision on Institution nor this Final Written Decision rely on that exhibit. Accordingly, we determine that it is appropriate to exclude Exhibit 1205.

3. Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227

Patent Owner seeks to exclude Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227 as irrelevant under FRE 401 and 402 because they are not alleged to be invalidating prior art, and our Decision to Institute did not base any of its analysis on them. Mot. 5–6; Paper 42, 2. Patent Owner also seeks to exclude Exhibits 1203, 1204, 1212, and 1213 as irrelevant under FRE 401 and 402 because those references are not the basis for any invalidity grounds for which covered business method reviewed was instituted. Mot. 7–8; Paper 42, 2.

¹ Declaration of Anthony J. Wechselberger. Ex. 1219.

Petitioner counters that all of these exhibits are relevant to our § 101 analysis because they establish the state of the art and show whether the challenged claims contain an inventive concept. Opp. 2–3. Petitioner further contends that the Petition and Wechselberger Declaration rely on these prior art exhibits to show, for example, that the elements disclosed by the challenged claims were well known, routine, and conventional. *Id.* at 4.

For the reasons stated by Petitioner, Patent Owner has not persuaded us that these exhibits are irrelevant under FRE 401 and 402. These exhibits are relevant to the state of the art—whether the technical limitations of the challenged claims were well-known, routine, and conventional—and thus, to our § 101 analysis. Moreover, with respect to Exhibits 1206–1208, 1211, 1214–1218, and 1225–1227, Mr. Wechselberger attests that he reviewed these exhibits in reaching the opinions he expressed in this case (*see, e.g.*, Ex. 2019 ¶¶ 36–55, 81–85, App. C.) and Exhibit 1226 is cited in the Petition’s discussion of the § 101 challenge (*see* Pet. 35). Patent Owner, thus, has not persuaded us that they are irrelevant under FRE 401 and 402.

Accordingly, we decline to exclude Exhibits 1203, 1204, 1206–1208, 1211–1218, and 1225–1227.

4. *Exhibit 1219*

Patent Owner moves to exclude Exhibit 1219, the Wechselberger Declaration, on grounds that it lacks foundation and is unreliable because it fails to meet the foundation and reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 8; Paper 42, 2–3. Specifically, Patent Owner contends that the declaration does not disclose the underlying facts or data on which the opinions contained are based, as required by 37 C.F.R. § 42.65(a), because it does not state the relative evidentiary weight (*e.g.*,

substantial evidence versus preponderance of the evidence) used by Mr. Wechselberger in arriving at his conclusions. Mot. 9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Mr. Wechselberger's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." Mot. 10–11; Paper 42, 2–3.

Petitioner notes that an expert is not required to recite the preponderance of the evidence standard expressly in order for the expert opinion to be accorded weight. Opp. 5 (citation omitted). Petitioner further states that Mr. Wechselberger cites specific evidence supporting each of his opinions. *Id.*

Patent Owner has not articulated a persuasive reason for excluding Mr. Wechselberger's Declaration. 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 a petitioner has established unpatentability. In doing so, it is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702.

Patent Owner further requests that, to the extent that we do not exclude Exhibit 1219 in its entirety, we exclude paragraphs 30–98 from the declaration. Mot. 11–12. Specifically, Patent Owner states:

Paragraphs 30-68 (and any other portion of the Wechselberger Declaration that is directed to patentability under 35 U.S.C. § 103) are not relevant to the instituted proceeding because the trial as instituted is limited to patentability under 35 U.S.C. § 101. FRE 401. Being irrelevant evidence, those paragraphs are not admissible. FRE 402.

Mot. 11–12.

Because this review is under § 101, analyses of the state of the prior art, which includes analyses of the level of skill of a skilled artisan and the scope of the challenged claims, is relevant to the second prong of the *Alice* and *Mayo* inquiry. Therefore, we decline to exclude these paragraphs.

Patent Owner also requests that we exclude paragraphs 69–98 of the Exhibit 1219 because these paragraphs “deal with the strictly legal issue of statutory subject matter for which Mr. Wechselberger is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate to the underlying factual issues related to patent eligibility, we are not persuaded that they are irrelevant under FRE 401 and 402. Accordingly, we decline to exclude these paragraphs.

ORDER

Accordingly, it is:

ORDERED that claims 1, 2, 15, and 31 of the '598 patent are determined to be *unpatentable*;

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

FURTHER ORDERED that Exhibit 1205 shall be expunged; and

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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 CBM2015-00017
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.*

DECISION
Instituting Covered Business Method Patent Review
and Denying Motion for Joinder
37 C.F.R. § 42.208
37 C.F.R. § 42.222(b)

INTRODUCTION

A. Background

Apple Inc. (“Petitioner”), filed a Corrected Petition requesting covered business method patent review of claims 1, 2, 7, 15, and 31 (the “challenged claims”) of U.S. Patent No. 8,061,598 (Ex. 1201, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 9 (“Pet.”). Petitioner also filed a Motion for Joinder. Paper 3 (“Mot.”). Patent Owner, Smartflash LLC (“Patent Owner”), filed a Preliminary Response (Paper 18, “Prelim. Resp.”) and an Opposition to the Motion for Joinder (Paper 10, “Opp.”). Petitioner filed a Reply in support of its Motion for Joinder. Paper 17 (“Reply”). We have jurisdiction under 35 U.S.C. § 324(a), 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.”

Upon consideration of the Petition and Preliminary Response, we determine that Petitioner has demonstrated that it is more likely than not that at least one of the challenged claims are unpatentable. Accordingly, we institute a covered business method review of claims 1, 2, 15, and 31 of the ’598 patent. Petitioner’s Motion for Joinder is *denied*.

B. Asserted Grounds

Petitioner argues that the challenged claims are unpatentable based on the following grounds:

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

References	Basis	Claims Challenged
Not applicable	§ 101	1, 2, 7, 15, and 31
Stefik ² and Ahmad ³	§ 103	1, 2, 15, and 31 ⁴
Stefik, Ahmad, and Kopp ⁵	§ 103	1, 2, 15, and 31 ⁶

Petitioner also provides a declaration from Anthony J. Wechselberger.
Ex. 1219.

C. Related Matters

The parties indicate that the '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex. 2014); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex. 2014). Pet. 20–21; Paper 8, 2–3. Patent Owner also indicates that the '598 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex. 2014). Paper 8, 3.

Petitioner previously filed two Petitions for covered business method patent review of the '598 patent: CBM2014-00108 and CBM2014-00109. Those petitions were instituted under 35 U.S.C. § 103 with respect to claim 26, and consolidated into a single proceeding. *Apple Inc. v. Smartflash LLC*,

² U.S. Patent No. 5,530,235 (Ex. 1212) (“Stefik ’235”), and U.S. Patent No. 5,629,980 (Ex. 1213) (“Stefik ’980”) (collectively, “Stefik”).

³ U.S. Patent No. 5,925,127 (Ex. 1203) (“Ahmad”)

⁴ Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

⁵ U.S. Patent No. 5,940,805 (Ex. 1204) (“Kopp”)

⁶ Although the Petition alleges that all of the challenged claims would have been obvious under this ground (Pet. 42), only claims 1, 2, 15, and 31 are analyzed (Pet. 45–74).

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Case CBM2014-00108 (PTAB Sept. 30, 2014) (Paper 8). Petitioner also previously filed ten Petitions for covered business method patent review challenging claims of patents owned by Patent Owner 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. Pet. 21.

Concurrent with the filing of this Petition, Petitioner filed three other Petitions for covered business patent review challenging claims of patents owned by Patent Owner and disclosing similar subject matter: CBM2015-00015, CBM2015-00016, and CBM2015-00018.

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. 1201, 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. Illustrative Claim

Petitioner challenges claims 1, 2, 7, 15, and 31 of the '598 patent. Claims 1 and 31 are independent. Claims 2, 7, and 15 depend from claim 1. Claim 1 is illustrative of the challenged subject matter and recites 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. 1201, 25:54–67.

ANALYSIS

A. Consolidation

The statutory provision governing consolidation of *inter partes* review proceedings is 35 U.S.C. § 325(c), which reads as follows:

(c) JOINDER. — If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

Petitioner moves to consolidate this proceeding with CBM2014-00108.⁷ Mot. 1. In CBM2014-00108, we instituted trial on claim 26 of the '598 patent under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, CBM2014-00108, Paper 8, 24 (PTAB Sept. 30, 2014). We declined to institute trial on claims 1, 2, 7, 13, 15, and 31 based on the prior art cited in that petition. *Id.* A Patent Owner Response was filed on February 27, 2015. CBM2014-00108, Paper 23.

Petitioner argues that consolidating this proceeding with CBM2014-00108 will secure the just, speedy, and inexpensive resolution of these proceedings. Mot. 4. Petitioner argues that this Petition involves the same patent, same parties, same counsel, same expert, and one of the same prior art references as CBM2014-00108. *Id.* at 5–6. Petitioner argues that the “significant overlap in subject matter and prior art” lead to significant efficiencies in briefing, discovery (i.e., depositions), and argument. *Id.* at 7. Petitioner also argues that “[j]oinder . . . need not have any appreciable effect on the trial schedule of [CBM2014-00108]” because the due dates in this proceeding could be compressed without unfairly prejudicing either party. *Id.* at 8. Finally, Petitioner requests, in the event consolidation is

⁷ Petitioner refers to Section 325(c) and seeks “joinder.” Although that provision is titled “Joinder,” it grants the Director authority only to “consolidate.” Thus, we treat Petitioner’s request as a request to consolidate pursuant to Section 325(c).

denied, that we coordinate the schedule in this proceeding with CBM2014-00108 such that, at minimum, oral arguments in the two proceedings occur together. *Id.* at 9.

Patent Owner argues that Petitioner has filed a total of twenty-one petitions—“three, four[,] or five per patent”—over an eight month period and, therefore, not even consolidation will secure the just, speedy, and inexpensive resolution of these proceedings. *Opp.* 3–4. According to Patent Owner, the Petitioner’s motion to consolidate is untimely because the changes made in the Corrected Petition were extensive enough to warrant according a new filing date of November 21, 2014 (the date of the Corrected Petition), which is more than one month after September 30, 2014, the date on which CBM2014-00108 was instituted. *Opp.* 5–7. Patent Owner also points out that consolidation will not streamline discovery because Petitioner has filed five additional petitions for covered business method patent review that will not be entitled to consolidation with the earlier-filed proceedings and, therefore, at least those five Petitions, assuming they are instituted, will not be on the same schedule. *Id.* at 8–9. Patent Owner argues that Petitioner’s request for coordinated schedules should be denied for the same reasons. *Id.* at 8.

Petitioner replies that it timely filed the instant Petition and Motion for Joinder. *Reply* 3–4. Petitioner also argues that the later-filed petitions for covered business method patent review identified by Patent Owner are not relevant to whether to consolidate this proceeding with an earlier proceeding involving the ’598 patent because those later-filed petitions relate to two different patents for which no trial has been instituted yet. *Id.* at 4–5.

We have considered Petitioner’s arguments in support of consolidation and Patent Owner’s arguments in opposition. In CBM2014-00108, we instituted under 35 U.S.C. § 103 whereas, in this proceeding, we institute only under 35 U.S.C. § 101. We determine that the proceedings involve non-overlapping grounds, and thus, we are not persuaded that consolidation is warranted or justified on the facts presented. As discussed above, consolidation of two or more proceedings for covered business method patent review is discretionary. *See* 35 U.S.C. § 325(c). We decline to exercise that discretion to consolidate these proceedings. Likewise, we do not exercise our discretion to coordinate the schedule in this case with that of CBM2014-00108 given that we instituted trial in CBM2014-00108 on September 30, 2014, more than six months ago. *See* 37 C.F.R. § 42.222(a).

B. 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. § 42.200(b); *see also In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271, 1281 (Fed. Cir. 2015) (“We conclude that Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA.”). 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.”

The term “use rule” is recited in independent claim 1. Petitioner proposes that “use rule” be construed to mean “a rule specifying a condition

under which access to content is permitted.” Pet. 23 (citing *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108/109 (PTAB Sept. 30, 2014) (Paper 8, 7) (construing “use rule”). The ’598 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1201, 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 construe “use rule” as “a rule specifying a condition under which access to content is permitted.”

C. 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 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 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.” Pet. 13. Based on this record, we agree with Petitioner 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.” 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 ’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. 1201, 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. 1201, 1:59–67, 6:60–64, 20:50–54.

Patent Owner 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. Prelim. Resp. 5–10. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

Although we agree with Patent Owner 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 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 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.” Prelim. Resp. 9. 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 7, as Patent Owner 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*

Petitioner asserts that claim 7 does not fall within § 18(d)(1)'s exclusion for “technological inventions.” Pet. 15–20. In particular, Petitioner 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.* Patent Owner disagrees and argues that claim 7, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. 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. For example, claim 1, on which claim 7 depends, recites only limitations such as “interface,” “content data memory,” “use rule memory,” “program store,” “processor,” “code for storing,” and “code to provide” data, which are not novel and unobvious. 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. 1201, 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).

Patent Owner 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 “storing at least one content data item in the content data memory and at least one use rule in the use rule memory” with the technological solution of “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.” Prelim. Resp. 10–11. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 7 is a business problem—data piracy. Pet. 18–19. 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. 1201, 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.

D. 35 U.S.C. § 101

Petitioner challenges claims 1, 2, 7, 15, and 31 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 26–38. Analyzing the

challenged claims using the two-step process applied recently in *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), Petitioner asserts that all the challenged claims are directed to an abstract idea without additional elements that transform the claims into a patent-eligible application of that idea. *Id.* Specifically, Petitioner argues that the challenged claims are directed to the abstract idea of “payment for something, and/or of controlling access to something.” Pet. 28.

We agree with Petitioner that the challenged claims of the '598 patent are more likely than not directed to patent-ineligible subject matter. Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, each of the challenged claims recites a “machine,” i.e., a “portable data carrier,” under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S. Ct. at 2354 (citing *Assoc. for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013) (internal quotation marks and brackets omitted)).

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. In *Alice*, the Supreme Court reiterated the framework set forth previously in *Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 134 S. Ct. at 2355. The first step in the analysis is to “determine whether the

claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the second step in the analysis is to consider the elements of the claims “individually and ‘as an ordered combination’” to determine whether there are additional elements that “‘transform the nature of the claim’ into a patent-eligible application.” *Id.* (quoting *Mayo*, 132 S. Ct. at 1291, 1297). In other words, the second step is to “search for an ‘inventive concept’—*i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’” *Id.* (brackets in original) (quoting *Mayo*, 132 S. Ct. at 1294).

As discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1201, 1:20–55. The ’598 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. Ex. 1201, 1:59–2:4. The ’598 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and validation of payment. *Id.*; *id.* at 1:59–2:15. We are, thus, persuaded, on this record, that the claimed “portable data carrier,” is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible

application of an abstract idea. *Mayo*, 132 S. Ct. at 1297. On this record, we are not persuaded that the challenged claims of the '598 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

As discussed above, the Specification treats as well-known all potentially technical additions to the claims, including “interface,” “content data memory,” “use rule memory,” “program store,” “processor,” “code for storing,” and “code to provide” data. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable under 35 U.S.C. § 101. However, because we already instituted a covered business method patent review of claim 7 under 35 U.S.C. § 101 in CBM2014-00193 (*Samsung Elecs. Am. Inc. v. Smartflash LLC*, CBM2014-00193, Paper 7, 19 (PTAB April 2, 2015)), and because whether claim 7 is directed to patent-eligible subject matter is an issue of law, we exercise our discretion under 35 U.S.C. § 325(d) to decline to institute a covered business method patent review of claim 7 under this ground in this case.

Patent Owner argues that Petitioner's assertion of this ground is untimely because "[t]here is no reason [Petitioner] could not have raised its § 101 challenge in its initial filings." Prelim. Resp. 12. According to Patent Owner,

[A]llowing Apple to raise a new ground of invalidity that it could have and should have raised in its April 1, 2014 petitions encourages Apple's piecemeal invalidity challenges to Patent Owner's patent claims and runs afoul of the Board's charge to "secure the just, speedy, and inexpensive resolution" of Apple's covered business method challenges to the '598 Patent.

Id. at 13. Patent Owner, however, cites no statutory or regulatory authority precluding Petitioner from asserting this ground. Moreover, Patent Owner acknowledges that the Supreme Court's June 19, 2014, decision in *Alice* was decided after Petitioner's original petitions were filed on April 1, 2014. Thus, on this record, we are not persuaded that Petitioner's assertion of a new ground based on 35 U.S.C. § 101 is untimely.

Conclusion

On this record, Petitioner has established that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 101.

E. Obviousness based Stefik '235, Stefik '980, and Ahmad

Petitioner argues that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235, Stefik '980, and Ahmad. Pet. 38–74. Petitioner also argues that claims 1, 2, 15, and 31 are unpatentable under 35 U.S.C. § 103(a) as obvious over Stefik '235, Stefik '980, Ahmad, and Kopp. *Id.*

A patent claim is unpatentable, under 35 U.S.C. § 103(a), if the differences between the claimed subject matter and the prior art are such that the subject matter, as a whole, would have been obvious at the time the

invention was made to a person having ordinary skill in the art to which said subject matter pertains. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

After carefully considering the Petition and Preliminary Response, we determine that Petitioner has not shown that it is more likely than not that it would prevail in showing that claims 1, 2, 15, and 31 are unpatentable as obvious over any of the combinations listed above. An obviousness inquiry is based on factual inquiries including the difference between the claimed invention and the prior art. *Graham*, 383 U.S. at 17–18. For each of the challenged claims, Petitioner has not identified sufficiently the differences between the claimed invention and each reference, or how the teachings of the two references are to be combined, if at all. Pet. 45–74.

With respect to independent claim 1, for example, Petitioner cites Stefik for every element. *Id.* at 45–58. With respect to the recited “use rules,” Petitioner identifies “enumerated types of associated right restrictions” in a parenthetical, but appears to rely on Stefik’s Grammar Elements 1501 and 1502, which define digital work rights. *Id.* at 51–52. Petitioner argues that “[t]hese rules . . . include some of the same content rules disclosed in the ’598 patent,” such as a predetermined number of plays or time-limited access. *Id.* at 51. Petitioner then suggests, however, that Stefik’s digital work rights are not “use rules” by arguing the following:

At a minimum, a POSA would have found it obvious to implement the limitations and conditions in the contents of

Stefik's rights as access rules. A POSA would at a minimum have been motivated and found it obvious to encode a conditional statement with the encoded contents of the right that dictates that the conditions must be checked and met before the digital work could be accessed. A POSA would have understood that such conditional statement could advantageously ensure the conditions are checked even if the digital work is transferred and stored on a device other than a repository that does not process the rights of a digital work in the same manner as a repository in a repository transaction protocol when access is requested.

Id. at 52–53, n.24. As a result, it is not clear whether Petitioner is alleging that Stefik's digital work rights are “use rules,” or whether they merely render obvious “use rules,” or both in the alternative. Compounding the ambiguity, Petitioner also argues that Ahmad's disclosure of time-limited rental restrictions teaches “use rules.” *Id.* at 53. With respect to how Ahmad's teachings would have been combined with Stefik, Petitioner argues the following:

A [person of ordinary skill in the art] would have been motivated and found it obvious to store the rental monitoring modules taught by Ahmad in the repository memory taught by Stefik that stores limitations on the content rights granted to a user, for example in descriptor files associated with content.

Id. at 53–54, n.24. Accordingly, it is not clear whether Petitioner is arguing that “use rules” is taught by Stefik (i.e., digital work rights), is rendered obvious by Stefik (i.e., a person of ordinary skill in the art would have been motivated to implement Stefik's digital work rights as rules), or is rendered obvious by the combination of Stefik and Ahmad (i.e., a person of ordinary skill in the art would have been motivated to implement Ahmad's rental monitoring on the DocuCard of Stefik). Nowhere does Petitioner explain any differences between the claimed invention and Stefik.

Because Petitioner has not articulated sufficiently a difference between the claimed invention and Stefik or how any differences would be remedied by incorporating teachings from Ahmad, we are not persuaded that Petitioner has shown that it is more likely than not that claims 1, 2, 15, and 31 would have been obvious over the combination of Stefik '235, Stefik '980, and Ahmad.

Conclusion

On this record, Petitioner has not established that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable as obvious over Stefik '235, Stefik '980, and Ahmad. For the same reasons, Petitioner has not shown that it is more likely than not that claims 1, 2, 15, and 31 are unpatentable as obvious over Stefik '235, Stefik '980, Ahmad, and Kopp.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claims 1, 2, 15, and 31 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 as to claims 1, 2, 15, and 31 under 35 U.S.C. § 101 as being directed to patent-ineligible subject matter under;

FURTHER ORDERED that no other ground raised in the Petition is authorized for covered business method patent review;

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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 on the grounds of unpatentability authorized above; the trial commencing on the entry date of this Decision; and

FURTHER ORDERED that Petitioner's Motion for Joinder is *denied*.

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