

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO. LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194¹

Patent 8,118,221 B2

PATENT OWNER'S NOTICE OF APPEAL

¹ CBM2015-00117 (Patent 8,118,221 B2) was consolidated with this 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 March 29, 2016 (Paper 51), the *Decision Denying Request for Rehearing* entered on June 10, 2016 (Paper 53) and from all underlying orders, decisions, rulings and opinions regarding U.S. Patent No. 8,118,221 (“the ’221 Patent”) including the *Decision - Institution of Covered Business Method Patent Review* entered on March 30, 2015 (Paper 9).

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 32 of the ’221 Patent is unpatentable under 35 U.S.C. § 101;
- Whether the Board erred in denying Patent Owner’s Motion to Exclude (Paper 34); and
- Whether the Board erred in finding that the subject matter of the ’221 Patent is directed to activities that are financial in nature and in instituting Covered Business Method review of the ’221 Patent.

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

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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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Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge.*

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

¹ CBM2015-00117 (Patent 8,118,221 B2) has been consolidated with this proceeding.

INTRODUCTION

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Samsung’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 19.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings. Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6–7 (PTAB Aug. 8, 2015) (Paper 11).

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 23, “PO Resp.”) and Samsung and Apple

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

(collectively, “Petitioner”) filed a Reply (Paper 31, “Reply”) to Patent Owner’s Response.

In our Final Decision, we determined that Petitioner had established, by a preponderance of the evidence, that claim 32 (“the challenged claim”) of the ’221 patent is unpatentable.⁴ Paper 51 (“Final Dec.”), 30.

Patent Owner requests rehearing of the Final Decision. Paper 52 (“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 claim 32 is directed to patent-ineligible subject matter. Req. Reh’g 2. In its Request, Patent Owner presents arguments directed to

⁴ Claims 2 and 11 were canceled in a Final Written Decision of another proceeding—CBM2014-00102. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). Because the Federal Circuit dismissed Patent Owner’s appeal of that decision, leaving claims 2 and 11 cancelled, we did not address those claims in the Final Written Decision of this proceeding. Final Dec. 3–4.

alleged similarities between the challenged claim 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 claim 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 “the issue of whether the claim was similar to those in *DDR Holdings* was previously addressed. *See* PO Resp. 12–13.” Request 7 n.2. Similarly, in Patent Owner’s arguments regarding *Alice*, Patent Owner simply notes that “the issue of whether Claim 32 is an abstract idea was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 11–28; *see also* Tr. 46:21–47:11” (*id.* at 11 n.4) and “the issue of whether the Claim 32 contains ‘additional features’ was previously addressed. *See* 37 C.F.R. § 42.71(d); PO Resp. 8–9; 25–36” (*id.* at 12 n.6). 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* 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 7 (citing Final Dec. 15) ("The Board rejected Patent Owner's reliance on *DDR Holdings* (at 15), holding that Claim 7 was 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 5–7, 12–15) were addressed at pages 10–13 and 18–20 of our Final Decision, Patent Owner's arguments about preemption (Req. Reh'g. 6–7) were addressed at pages 20–22 of our Final Decision, and Patent Owner's arguments about *DDR Holdings* (Req. Reh'g. 7–10) were addressed at pages

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14–18 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.

BISK, *Administrative Patent Judge.*

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

¹ CBM2015-00117 (Patent 8,118,221 B2) was consolidated with this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”),² filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 4 (“Pet.”). On March 30, 2015, we instituted a covered business method patent review (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 20.

On April 30, 2015, Apple Inc. filed a Petition to institute covered business method patent review of the same claims of the ’221 patent based on the same grounds. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of its newly filed case with Samsung’s previously instituted case. CBM2015-00117 (Paper 3, “Apple Mot.”). On August 8, 2015, we granted Apple’s Petition and consolidated the two proceedings.³ Paper 32; *Apple Inc. v. Smartflash LLC*, Case CBM2015-00117, slip. op. at 6–7 (PTAB Aug. 8, 2015) (Paper 11).

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

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 8.

³ For purposes of this decision, we will cite only to Samsung’s Petition.

Petitioner has shown by a preponderance of the evidence that claim 32 of the '221 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. Related Matters and Estoppel

In a previous covered business method patent review, CBM2014-00102, we issued a Final Written Decision determining claims 1, 2, and 11–14 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). On March 18, 2016, however, Patent Owner filed an authorized motion to terminate this proceeding as to claims 2 and 11 stating that “[o]n March 4, 2016, pursuant to Fed. R. App. P. 42(b), the United States Court of Appeals for the Federal Circuit dismissed [Patent Owner’s] appeal of [the final written decision in CBM2014-00102 determining] that claims 2 and 11 of the '221 Patent are unpatentable.” Paper 50, 2.⁴

We are persuaded that the particular facts of this proceeding now counsel termination of our consideration of claims 2 and 11. 37 C.F.R. § 42.72. Claims 2 and 11 of the '221 patent have been finally cancelled and any decision we might reach in this proceeding regarding the patentability of these claims would be moot and purely advisory. We do not see how the just, speedy, and inexpensive resolution of every proceeding (37 C.F.R. § 42.1(b)) would be secured by rendering a final written decision regarding these claims. Accordingly, we terminate this review as to claims 2 and 11 and consider below only the remaining challenged claim—claim 32.

⁴ Fed. R. App. P. 42 provides for dismissal of an appeal at the request of the parties or on motion by the appellant.

C. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–4. The '221 patent makes clear that the actual implementation of these components is not critical and may be implemented in many ways. *See, e.g., id.* at 25:41–44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

D. Challenged Claim

Petitioner challenges claim 32 of the '221 patent. Claim 32 is independent and recites the following:

32. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:

a first interface for communicating with the data supplier;
a data carrier interface for interfacing with the data carrier;

a program store storing code; and

a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system; and

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

Id. at 28:23–50.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b). Applying that standard, we interpret the claim terms

of the '221 patent according to their ordinary and customary meaning in the context of the patent's written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we need not construe expressly any claim term.

B. Statutory Subject Matter

Petitioner challenges claim 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21–34. According to Petitioner, claim 32 is directed to an abstract idea without additional elements that transform the claim into a patent-eligible application of that idea. *Id.* Petitioner submits a declaration from Jeffrey A. Bloom, Ph.D. in support of its Petition.⁵ Ex. 1003. Patent Owner argues that the subject matter claimed by claim 32 is statutory because it is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy.” Paper 24, (“PO Resp.”) 13.

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, each claim 32 recites a “machine,” e.g., a “data access terminal,” under § 101. Section 101, however, “contains an important

⁵ In its Response, Patent Owner argues that this declaration should be given little or no weight. PO Resp. 3–4. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude Dr. Bloom's Declaration in its entirety, or in the alternative, portions of the declaration based on essentially the same argument, we address Patent Owner's argument as part of our analysis of the motion to exclude, below.

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, Inc.*, 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.*

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 Tech., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that claim 32 is directed to the abstract idea of “enabling limited use of paid-for/licensed content.” Pet. 23. Although Patent Owner does not concede, in its brief, that claim 32 is directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 11–28; *see also* Paper 47 (transcript of oral hearing) 46:21–47:11 (Patent Owner arguing that the subject matter does not claim an abstract idea, but conceding this argument was not made in the briefs).

We are persuaded that claim 32 is drawn to a patent-ineligible abstract idea. Specifically, claim 32 is directed to performing the fundamental economic practice of conditioning and controlling access to content based on payment. For example, claim 32 recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The patent 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 it by internet users who may not even realize that it is pirated. *Id.* The '221 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 '221 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, claim 32 is not limited to the Internet. Claim 32 recites code to “read payment data from the data carrier,” “forward the payment data to a payment validation system,” “receive payment validation data from the payment validation system,” “retrieve data from the data supplier,” and “write the retrieved data into the data carrier.” The underlying concept of claim 32, particularly when viewed in light of the '221 patent specification, is conditioning and controlling access to content based upon payment. 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 '221 patent specification and the language of claim 32 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”).

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 “[t]he claims of the ’221 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Paper 31, (“Reply 11”) (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 32 of the ’221 patent does 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 Petitioner’s rationale that the additional elements of

claim 32 are generic features of a computer that do not bring claim 32 within § 101 patent eligibility. Pet. 24–29; Reply 11–21.

a. Technical Elements

Petitioner argues that claim 32 is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the '221 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4–5, 16:46–49, 21:33–38). Patent Owner disagrees, arguing that claim 32 is patentable because it “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” PO Resp. 18 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The '221 patent specification treats as well-known all potentially technical aspects of claim 32, including the “data carrier,” “data supplier,” “payment validation system,” and “mobile communication device.” See Reply 13 (citing Ex. 1003 ¶ 24; Ex. 1001, 4:4–5, 16:46–50, 18:7–11). For example, the specification states the recited “data access terminal may be a conventional computer,” that the terminal memory “can comprise any conventional storage device,” and that a “data device . . . such as a portable audio/video player . . . comprises a conventional dedicated computer system including a processor . . . program memory . . . and timing and control logic . . . coupled by a data and communications bus.” *Id.* (quoting Ex. 1001, 4:4–5, 16:46–50, 18:7–11). In addition, the specification notes that the “data carrier” may be a generic device such as a “standard smart card.” Ex. 1001, 11:28–30; *see also id.* at 14:25–29 (“[I]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. The specification further indicates that that the “payment system” may be “a signature transporting type e-payment system” or “a third party e-payment system.” *Id.* at 7:11–16, 8:18–22, 13:36–38 (“an e-payment system according to, for example, MONDEX, Proton, and/or Visa cash compliant standards”). Further, the claimed computer code performs generic computer functions, such as reading, receiving, transmitting, and outputting data. *See* Pet. 24–29; Reply 14–16. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank, Nat’l Assoc.*, 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 claim 32 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than” conditioning and controlling access to content based on payment. *See* PO Resp. 18. Claim 32 does not recite any particular or “distinct memories.” To the extent Patent Owner contends that the claimed “data carrier” is a “distinct memory,” as noted above, the specification makes clear that the “data carrier” may be a generic device such as a “standard smart card.” *See Content Extraction*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). The recitation of generic memory, being used to store data in the

conventional manner is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application.

Claim 32 also recites several generic data types including, “data,” “retrieved data,” “code,” “payment data,” “payment validation data,” “access rule,” “use rule data,” “user-stored data identifier data,” and “associated value data.” We are not persuaded that the recitation of these data types, by itself, amounts to significantly more than the underlying abstract idea. *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). Patent Owner does not point to any inventive concept in the ’221 patent related to the way the recited data types are constructed or used. In fact, the ’221 patent simply recites these data types with no description of the underlying implementation or programming that results in these data constructs.

In addition, because the recited elements can be implemented on a general purpose computer, claim 32 does not cover a “particular machine.” Pet. 31–33; *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 claim 32 does not transform an article into a different state of thing. Pet. 33–34.

Thus, we determine the potentially technical elements of the claim 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 claim 32 is 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. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that claim 32 is “directed to particular devices that can download and store digital content into a data carrier” and “[b]y using a system that combines on the data carrier both the digital content and payment data that can be forwarded to a payment validation system, and by responding to payment validation data when obtaining digital content, the claimed data access terminals enable digital content to be obtained effectively and legitimately.” *Id.* at 12–13. Patent Owner further argues that because claim 32 also “utilizes at least one access rule, also written to the data carrier,” “access control to the digital content can be continuously enforced prior to access to the digital content and allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.” *Id.* at 13.

Petitioner responds that claim 32 is distinguishable from the claims in *DDR Holdings*. Reply 19–21. 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 with Petitioner that claim 32 is distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that claim 32 is “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy” and “address[es] . . . a challenge particular to the Internet.” PO Resp. 13. Data piracy exists in contexts other than the Internet. *See Reply 17* (identifying other contexts in which data

piracy is a problem). For example, data piracy was a problem with compact discs. *See* Ex. 1001 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”). Further, whatever the problem, the solution provided by claim 32 is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Reply 15–16.

Even accepting Patent Owner’s assertion that claim 32 addresses data piracy on the Internet (PO Resp. 13), we are not persuaded that it does so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between claim 32 and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claim 32 of the ’221 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 14–17. For example, Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 3 limitations recited by claim 32: (1) “code to retrieve from the data supplier and output to a user-stored data identifier data and associated value data and use rule data for a data item available from the data supplier”; (2) “code responsive to the payment validation data to . . . to write the retrieved data into the data carrier”; and (3) “code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment

validation system.” PO Resp. 16–17. Patent Owner, however, fails to identify how these limitations of claim 32, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 14–24; *DDR Holdings*, 773 F.3d at 1258. Instead, unlike the claims in *DDR Holdings*, these limitations, like all the other limitations of claim 32, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ultramercial*, 772 F.3d at 716. They merely rely 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 *Ultramercial*, like claim 32, were also directed to a method for distributing media products. Instead of conditioning and controlling access to data based on payment, as in claim 32, the *Ultramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in claim 32 comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional steps such as communicating with the data supplier, reading payment data, forwarding payment data, receiving payment validation data, retrieving data from the data supplier, writing data to a data carrier, and transmitting a portion of the payment validation data 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 claim 32 is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Smartflash’s Alleged Inventive Concept

To the extent Patent Owner argues claim 32 includes an “inventive concept” because of the specific combination of elements in claim 32, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’221 patent specification: “[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. 8–9 (quoting Ex. 1001, 5:29–33). Referring to this disclosure, Patent Owner argues that “[b]y using a system that combines on the data carrier both the digital content and the use rules/use status data, access control to the digital content can be continuously enforced prior to access to the digital content.” *Id.* at 9. Thus, Patent Owner concludes that “[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, the renter could continue to play the DVD, even if the renter kept the DVD past the rental period because the use rules were not associated with the DVD” and “there was no way to track a use of the DVD such that a system could limit its playback to [a] specific number of times (e.g. three times) or determine that the DVD had only been partially used.” *Id.*

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 conditions for providing access to the content—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 content and conditions for providing access to the content. *See, e.g.*, Pet 39–40 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet 66 (citing Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language *in combination with* the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”)). To the extent Patent Owner argues that claim 32 covers 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., “track[ing] a use of the DVD such that a system could limit its playback to specific number of times” (PO Resp. 9)), we do not agree that this, by itself, is sufficient to elevate claim 32 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

Petitioner argues that “the ’221 patent claims preempt all effective uses of the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 29. Patent Owner responds that claim 32 does not result in inappropriate preemption. PO Resp. 25–36. According to Patent Owner, claim 32 does not attempt to preempt every application of the idea, but rather recite a “specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.” *Id.* at 25 (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 claim 32 does not raise preemption concerns. *Id.* at 30–35.

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* Reply 21–24 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim is 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 Petitioner has shown by a preponderance of the evidence that claim 32 is drawn to an abstract idea and does 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 with Patent Owner (PO Resp. 36–37); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 37–38).

As a preliminary matter, 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). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issue to be raised in the present proceeding.” PO Resp. 37.

3. *Conclusion*

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 32 of the '221 patent is unpatentable under § 101.

MOTIONS TO EXCLUDE

A. *Samsung's Motion to Exclude*

Samsung seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 38, 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, Samsung's Motion to Exclude is *denied*.

Samsung seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 38, 4–6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Samsung argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Samsung adds that "Samsung, during its direct examination of Dr. Bloom, never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Samsung's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claim at issue, but for purposes of challenging the credibility of Samsung's expert. Although we were not persuaded by this evidence, we

did consider it for the purpose of deciding an issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Samsung seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Samsung argues that in these excerpts, “Smartflash attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6 (citing PO Resp. 6). According to Samsung, because “Dr. Bloom *has not* been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

We also are not persuaded by this argument. Samsung does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Samsung, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

B. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 34, 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 *denied*.

1. Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom’s testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 34, 1–9. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom’s declaration “does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions.” Paper 34, 2. Patent Owner also seeks to exclude this testimony under FRE 702 because “the Board cannot assess under FRE 702 whether Dr. Bloom’s opinion testimony is ‘based on sufficient facts or data,’ is ‘the product of reliable principles and methods,’ or if Dr. Bloom ‘reliably applied the principles and methods to the facts of the case.’” Paper 34, 3–4.

Petitioner counters that consistent with the requirements of 37 C.F.R. § 42.65, “Dr. Bloom’s testimony disclosed underlying facts and data on which his opinions were based.” Paper 41, 4. Petitioner also argues that experts are not required to recite the “preponderance of the evidence” standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom’s Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to

question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of experience in relevant technologies. *Id.* ¶¶ 5–14. 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. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 34, 5–6. Because these paragraphs also support Petitioner’s assertions with respect 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.

Patent Owner also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. Paper 34, 6, 7–9. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 62, 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.

Patent Owner also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. Paper 34, 7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102–107, 122, 123, 125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. Paper 34, 7–9. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 41, 9–11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 44, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

2. *Exhibits 1004–1006*

Patent Owner seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 34, 9–10.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’” and, thus, are relevant to the question of patent eligibility. Paper 41, 11–12.

Because these exhibits are evidence relied upon by Petitioner to support its assertions with respect 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 exhibits.

3. *Exhibit 1028*

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom Declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 10. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’221 patent. *Id.* at 10–11.

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’221 patent mimics such payment operations” and is, therefore, not irrelevant. Paper 41, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent

eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

4. Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner's reply brief, as irrelevant and inadmissible under FRE 401 and 402. Paper 34, 11. According to Patent Owner, the document has an alleged publication after the effective filing date of the '221 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 41. Petitioner, however, does address the relevance of this document in its reply brief (Paper 31), stating that Exhibit 1039 was replied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '221 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Paper 31, 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 32 of the '221 patent is determined to be *unpatentable*;

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

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

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

SAMSUNG ELECTRONICS AMERICA, INC. and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00194
Patent 8,118,221 B2

Before JENNIFER S. BISK, RAMA G. ELLURU, GREGG I. ANDERSON,
MATTHEW R. CLEMENTS, and PETER P. CHEN,
Administrative Patent Judges.

BISK, *Administrative Patent Judge.*

DECISION

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

INTRODUCTION

A. Background

Petitioner, named above, filed a Corrected Petition to institute covered business method patent review of claims 2, 11, and 32 (the “challenged claims”) of U.S. Patent No. 8,118,221 B2 (Ex. 1001, “the ’221 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).¹ Paper 4 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”).

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

B. Asserted Grounds

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C. §§ 101 and/or 103 over the combination of Stefik ’235,² Stefik ’980,³ and Gruse⁴ (Pet. 3).⁵ Petitioner also provides a Declaration from Dr. Jeffrey A. Bloom (“the Bloom Declaration”). Ex. 1003.

¹ Patent Owner argues that the multiple petitions filed against the ’221 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. Prelim. Resp. 10–12. The page limit for petitions requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and this Petition is within that requirement.

² U.S. Patent 5,530,235 (Ex. 1004) (“Stefik ’235”).

³ U.S. Patent 5,629,980 (Ex. 1005) (“Stefik ’980”).

⁴ PCT Publication No. WO 00/08909 (Ex. 1006) (“Gruse”).

⁵ Petitioner refers to Stefik ’235 and Stefik ’980 collectively as “Stefik” because, according to Petitioner, Stefik ’235 incorporates Stefik ’980 by reference. Pet. 39. Patent Owner disagrees. Prelim. Resp. 15–18. Based on our determination below, we need not address this issue.

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Patent 8,118,221 B2

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

C. Related Matters

Petitioner indicates that the '221 patent is the subject of the following co-pending district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); and *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-CV-448 (E.D. Tex.). Pet. 1–2. Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00103, CBM2014-00106, CBM2014-00107, CBM2014-00108, CBM2014-00109, CBM2014-00112, and CBM2014-00113, filed by Apple Inc. *See* Paper 5, 2–3.

Petitioner filed one other petition for covered business method patent review challenging claims of the '221 patent: CBM2014-00199.⁶ In addition, Petitioner filed eight other Petitions for covered business method patent review challenging claims of other patents owned by Patent Owner and disclosing similar subject matter: CBM2014-00190; CBM2014-00192; CBM2014-00193; CBM2014-00196; CBM2014-00197; CBM2014-00198; CBM2014-00200; and CBM2014-00204.

⁶ Patent Owner argues that the multiple petitions filed against the '221 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. Prelim. Resp. 10–12. 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 '194 and '199 Petitions meets that requirement.

D. The '221 Patent

The '221 patent relates to “a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored” and the “corresponding methods and computer programs.” Ex. 1001 1:21–25. Owners of proprietary data, especially audio recordings, have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the Internet without authorization. *Id.* at 1:29–56. The '221 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the Internet with less fear of data piracy. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for Internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from the data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–4. The '221 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:41–44 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments . . .”).

E. Challenged Claims

Petitioner challenges claims 2, 11, and 32 of the '221 patent. Claim 32 is independent. Claims 2 and 11 depend from claim 1, which is not explicitly challenged in this proceeding. Claims 1, 2, 11, and 32 recite the following:

1. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;
 - a data carrier interface for interfacing with the data carrier;
 - a program store storing code implementable by a processor; and
 - a processor, coupled to the first interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to read payment data from the data carrier and to forward the payment data to a payment validation system;
 - code to receive payment validation data from the payment validation system;
 - code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier.

Ex. 1001, 25:45–61.

2. A data access terminal as claimed in claim 1, further comprising code to transmit at least a portion of the payment validation data to the data supplier or to a destination received from the data supplier.

Id. at 25:62–65.

11. A data access terminal according to claim 1 integrated with at least one of a mobile communication device, a personal computer, an audio/video player, and a cable or satellite television interface device.

Id. at 26:39–42.

32. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
 - a first interface for communicating with the data supplier;

a data carrier interface for interfacing with the data carrier;

a program store storing code; and

a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising:

code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;

code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier;

code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system; and

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

Id. at 28:23–50.

ANALYSIS

A. Claim Construction

In a covered business method patent review, claim terms are given their broadest reasonable interpretation in light of the specification in which they appear and the understanding of others skilled in the relevant art. *See* 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, 2015 WL 448667 at *7 (Fed. Cir. Feb. 4, 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 ’221 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this Decision, we construe the claim term “access rule.”

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

B. Covered Business Method Patent

Section 18 of the AIA provides for the creation of a transitional program for reviewing covered business method patents. A “[c]overed business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one

claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that claim 32 “unquestionably is used for data processing in the practice, administration and management of financial products and services; specifically, for processing payments for data downloads.” Pet. 9. Based on this record, we agree with Petitioner that the subject matter recited by claim 32 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 32 recites “code to read payment data from the data carrier and to forward the payment data to a payment validation system” and “code responsive to the payment validation data . . . dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the specification of the ’221 patent, which confirms claim 32’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23. The specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:59–68, 6:60–64, 20:50–54.

Patent Owner disagrees that claim 32 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be interpreted narrowly to cover only technology used specifically in the

financial or banking industry. Prelim. Resp. 3–6. 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.* (quoting 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 32 is not directed to an apparatus or method that is financial in nature because claim 32 “omits the specifics of how payment is made.” 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 Patent Owner point to any other authority that makes

such a requirement. *Id.* We determine that because payment data is recited by claim 32, the financial in nature requirement of § 18(d)(1) is satisfied.

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

2. *Exclusion for Technological Inventions*

Petitioner asserts that the claims of the '221 patent do not fall within § 18(d)(1)'s exclusion for "technological inventions." Pet. 10–13. In particular, Petitioner argues that the claims do 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 32, as a whole, recites at least one technological feature that is novel and nonobvious over the prior art. Prelim. Resp. 8–9.

We are persuaded that claim 32 as a whole does not recite a technological feature that is novel and unobvious over the prior art. Claim 32 does recite a "payment validation system." The specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, "[t]he payment validation system may be part of the data supplier's computer systems or it may be a separate e-payment system." Ex. 1001, 8:63–65; *see id.* at 13:35–47. Claim 32 also recites a "data carrier." This component, however, is a generic hardware device known in the prior art. The specification discloses, for instance, that a data carrier may be a "standard smart card." *Id.* at 11:28–29.

In addition, the '221 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware,

but in the method of controlling access to data. For example, the '221 patent states that “there is an urgent need to find a way to address the problem of data piracy” (*id.* at 1:52–55), while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Claim 32 is merely the recitation of known technologies to perform a method, which indicates that it is not a claim 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 32 falls within § 18(d)(1)'s exclusion for “technological inventions” because it is directed toward solving the technological problem of “writing data and at least one access rule from a data supplier into a data carrier” with the technological solution of “a data carrier from which payment data is read and to which retrieved data and at least one access rule from a data supplier [is] written.” Prelim. Resp. 8–9. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 32 is a business problem—data piracy. Pet. 12. 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. Therefore, based on the particular facts of this proceeding, we conclude that claim 32 does not recite a technological invention and is eligible for a covered business method patent review.

3. *Conclusion*

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

C. *Statutory Subject Matter*

Petitioner challenges claims 2, 11, and 32 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 21–34. 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 “enabling limited use of paid-for/licensed content.” Pet. 23.

Patent Owner argues that the challenged claims are directed to a more narrow invention than that asserted by Petitioner. Prelim. Resp. 12–13. Patent Owner specifically cites to the limitations “code to read payment data from the data carrier and to forward the payment data to a payment validation system” and “code to receive payment validation data from the payment validation system” as evidence that claims 2 and 11 “are not preemptory as asserted and are, at least for that reason, directed to statutory subject matter.” *Id.* at 13. And Patent Owner points to similar limitations in claim 32 as evidence that it is also directed to statutory subject matter. *Id.* at 13–14. Based on the analysis of the challenged claims using the two-step process set forth in *Alice Corporation Pty, Ltd. v. CLS Bank International*, 134 S.Ct. 2347 (2014), as discussed below, we agree with Petitioner claims 2, 11, and 32 of the '221 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,” e.g., a “data access terminal,” 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 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.* 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 on the [ineligible concept] itself.” *Id.* (brackets in original) (quoting *Mayo*, 132 S.Ct. at 1294).

Petitioner contends that the challenged claims are directed to “the abstract idea of enabling limited use of paid-for/licensed content.” Pet. 24. For example, claim 32 recites “the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.” Furthermore, as discussed above, the ’221 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’221 patent proposes to solve this problem by restricting access to data on a portable data carrier based upon payment validation. Ex. 1001, 1:59–2:4. The ’221 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.* at 1:59–2:15. We are persuaded, on this record, that the claimed “data access terminal,” 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 ’221 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*, 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 notes that the data carrier may be a generic, known, hardware device such as a “standard smart card,” and that “[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, 11:28–29, 8:63–65. Moreover, on this record, Patent Owner has not shown that all other potentially technical additions to the claims—including “processor,” “program store,” and code to receive/retrieve/write data—perform a function that is anything other than “purely conventional.” *See Alice*, 134 S.Ct. at 2359. The linkage of existing hardware devices to existing payment validation processes and supplier-defined access rules, as claimed here, appear to be “well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Id.* (quoting *Mayo*, 132 S.Ct. at 1294). None of these limitations, viewed “both individually and as an ordered combination,” transform the nature of the claims into patent-eligible subject matter. *See Alice*, 134 S.Ct. at 2355 (quoting *Mayo*, 132 S.Ct. at 1297, 1298).

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.

D. Obviousness Over Stefik '235, Stefik '980, and Gruse

1. The Effective Filing Date of the '221 Patent

Patent Owner argues that Petitioner has not shown that it is more likely than not that dependent claims 2 and 11, and independent claim 32 are obvious over Stefik '235, Stefik '980, and Gruse. Specifically, Patent Owner argues that Petitioner has not shown sufficiently that Gruse qualifies as § 102(a) prior art. Prelim. Resp. 18–21.

Petitioner proffers Gruse as § 102(a) art. Pet. 4. There is no dispute that Gruse's publication date of February 24, 2000, is before the filing date of PCT Application No. PCT/GB00/04110 (“the '110 application”)—October 25, 2000—to which the '221 patent claims priority. *See* Pet. 16; Prelim. Resp. 18–21. Patent Owner, however, asserts that the '221 patent is entitled to the filing date of United Kingdom Patent Application GB9925227.2 (“the GB application”)—October 25, 1999. Prelim. Resp. 18–21. Petitioner disagrees. Pet. 16–20. Because Gruse was published on February 24, 2000, it is prior art under § 102(a) only if Petitioner is correct and the '221 patent is not entitled to the filing date of the GB application.

As Petitioner points out, the GB application is significantly shorter than the '110 application. Pet. 16. The relevant issue, however, is whether the GB application contains written description that supports all the limitations of dependent claims 2 and 11, which depend from claim 1, and independent claim 32. *See Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008).

For the reasons described below, we need not address the question of whether or not claim 32 is entitled to the filing date of the GB application. We determine, however, that Petitioner has not shown that claims 2 and 11

are not entitled to the filing date of the GB application. Thus, Gruse is not prior art to claims 2 and 11.

The GB application discloses a “payment validation means” that allows “access to the downloaded data which is to be stored by the data storage means, to be made conditional upon checked and validated payment being made for the data.” Ex. 1008, 8.⁷ In addition, “[t]he data storage means and/or the retrieval device can be provided with access control means to prevent unauthorized access to the downloaded data” or “to stop or provide only limited access of the user to the downloaded data in accordance with the amount paid.” *Id.* at 9–10. This access control means can be “responsive to the payment validation means” and “stored with the downloaded data or in a separate storage area.” *Id.* at 10. Finally, “[t]he user’s access to the downloaded data could advantageously be responsive to the payment validation means.” *Id.*

For dependent claims 2 and 11, the parties specifically dispute only whether the GB application sufficiently supports “code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier” recited by independent claim 1 and, thus, included in both claims 2 and 11 (“claim 1’s responsive limitation”). Pet. 20; *see* Prelim. Resp. 19–21.

Based on the disclosure described above, we are persuaded that the GB application “reasonably conveys to those skilled in the art that the inventor had possession” of claim 1’s responsive limitation. *Ariad Pharms. v. Eli Lilly and Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc). Petitioner has not persuaded us otherwise. Petitioner, in particular, argues

⁷ We refer to the page number at the bottom of each page in Exhibit 1008.

that the GB application does not “suggest downloading and hence receiving any access rule from the data supplier responsive to payment validation data, let alone writing the received access rule into any data carrier responsive to payment validation.” Pet. 19–20 (citing Ex. 1003 ¶ 112). This argument does not apply to claim 1’s responsive limitation because that limitation does not recite an access rule. Petitioner, however, addresses whether this limitation is disclosed in the GB application only by stating that “[s]imilarly,” claim 1’s responsive limitation “is likewise unsupported.” *Id.* Thus, we are not persuaded that Petitioner has shown sufficiently that claims 2 and 11 of the ’221 patent are not entitled to the benefit of the GB application’s filing date. Consequently, we are not persuaded that Petitioner has shown sufficiently that Gruse is properly § 102(a) prior art to claims 2 and 11. Petitioner’s challenge to claims 2 and 11 therefore fails.

2. *Analysis*

Gruse discloses “[a] system for tracking usage of digital content on user devices,” including [c]ontent players, which receive from the network the licensed content data.” Ex. 1006 Abs. The system also includes a “logging site that is coupled to the network,” which tracks the “play information from the network.” *Id.* “[A] license to play digital content data is sold to a user, and the licensed content data is transmitted to a content player for the user.” *Id.*

Petitioner relies on Gruse to disclose every limitation of the challenged claims except “an interface for facilitating secure communications between the PC and the external portable device.” Pet. 40–42. Petitioner relies on Stefik ’235 and Stefik ’980 for the disclosure of this element. *Id.* at 42.

a. Claim 32

Independent claim 32 requires “at least one access rule specifying at least one condition for accessing the retrieved data . . . the at least one condition being dependent upon the *amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). Petitioner asserts that the combination of Gruse, Stefik ’235, and Stefik ’980 renders this limitation obvious. Pet. 62. Specifically, Petitioner alleges that Gruse’s “Store Usage Conditions” correspond to the claimed “access rule.” *Id.* According to Petitioner, “[t]he access rule depends on the amount of payment (e.g., fees the user has paid for the content) associated with the payment data (e.g., credit card information) forwarded to the payment validation system (e.g., Clearinghouse 105).” *Id.* at 62–63. Further, Petitioner asserts that Gruse discloses “Stor[e] Usage Conditions 519 has been purchased by the End-User(s) and is thus dependent upon the amount of payment the particular end-user made towards the purchase,” for example, an “end-user can make the purchase by providing credit card information, which is forwarded to a Clearinghouse(s) 105.” *Id.* at 66 (citing Ex. 1006, 91:15–27).

Petitioner, however, does not explain persuasively how Gruse teaches “at least one access rule specifying at least *one condition for accessing the retrieved data . . . the at least one condition being dependent upon the amount of payment associated with the payment data forwarded* to the payment validation system” (emphasis added). In other words, Petitioner has not sufficiently explained how the condition for accessing the data written into the data carrier is dependent upon the amount of payment associated with the payment data forwarded to the payment validation

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system. Nor does Petitioner explain that a person of ordinary skill would find such dependency obvious.

On this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 32 is unpatentable as obvious over Gruse, Stefik '235, and Stefik '980.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the sole ground that claims 2, 11, and 32 are directed to patent ineligible subject matter under 35 U.S.C. § 101;

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

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.

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