

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., et al.,

Petitioners

v.

SMARTFLASH LLC

Patent Owner

Case CBM2014-00198

Patent 8,061,598

PATENT OWNER'S PRELIMINARY RESPONSE

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PATENT OWNER'S LIST OF EXHIBITS

Exhibit Number	Exhibit Description
2001	Congressional Record - House, June 23, 2011, H4480-4505
2002	Congressional Record - Senate, Sep. 8, 2011, S5402-5443
2003-2023	Reserved
2024	Samsung's Motion To Stay Litigation Pending CBM Review

Patent Owner sets forth below, in its Preliminary Response, why no Covered Business Method (CBM) review should be instituted for the patent-at-issue.

Arguments presented herein are presented without prejudice to presenting additional arguments in a later response should the PTAB institute a CBM review.

I. OVERVIEW OF U.S. PATENT NO. 8,061,598

Although the claims define the actual scope of coverage of the patent, as described in the first paragraph of the BACKGROUND OF THE INVENTION, the patent-at-issue, U.S. Patent No. 8,061,598 (hereinafter “the ‘598 patent”) generally describes “data storage and access systems ... [and] is particularly useful for managing stored audio and video data, but may also be applied to storage and access of text and software, including games, as well as other types of data.” Col. 1, lines 20-28.

Preferred embodiments described in the last full paragraph of col. 15 illustrate this further: “FIG. 7 ... shows a variety of content access terminals for accessing data supply computer system 120 over internet 142. The terminals are provided with an interface to a portable data carrier or ‘smart Flash card’ (SFC) as generally described with reference to FIG. 2 and as described in more detail below. In most embodiments of the terminal the SFC interface allows the smart Flash card data carrier to be inserted into and removed from the terminal, but in some

embodiments the data carrier may be integral with the terminal.” Exemplary terminals include, but are not limited to, set-top boxes 154, CD/DVD Players 170 and mobile communications devices 152. Col. 16, lines 4-17.

Referring to preferred embodiments, the ‘598 patent discloses that a data supply system may provide users with a seamless purchase and content delivery experience. Col. 23, line 63 - col. 24, line 1. Users are able to purchase content from a variety of different content providers even if they do not know where the content providers are located or how the content is delivered. See *id.* The exemplary system is operated by a “content data supply ‘system owner,’” who may act as an intermediary between a user seeking to purchase content and content providers, such as record labels, movie studios, and software providers. See col. 13, lines 60-67. When a user accesses the system, he or she is able to select content to purchase or rent from a variety of different content providers. See the paragraph crossing cols. 4 and 5. If the user finds a content item to buy, his or her device will transmit stored “payment data” to a “payment validation system” to validate the payment data. See col. 8, lines 3-6. The payment validation system returns proof that the payment data has been validated, in the form of “payment validation data,” and the user is able to retrieve the purchased content from the content provider. See col. 8, lines 6-9.

II. THE CHALLENGED CLAIM IS NOT DIRECTED TO A FINANCIAL PRODUCT OR SERVICE

Samsung Electronics America, Inc., et al. (collectively “Petitioner”) has cited claim 7 as being the basis for requesting that a covered business method review be instituted. Petition at 8. Since claim 7 does not, in fact, meet the requirements for instituting a review, the Petition should be denied.

As set forth in 37 CFR 42.301(a), to be eligible for CBM review, claim 7 must be found to be claiming “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*.” In the publication of the Final Rules for “Transitional Program for Covered Business Method Patents - Definitions of Covered Business Method Patent and Technological Invention,” the PTO stated:

The definition set forth in § 42.301(a) for covered business method patent adopts the definition for covered business method patent provided in section 18(d)(1) of the AIA. In administering the program, the Office will consider the legislative intent and history behind the public law definition and the transitional program itself. 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.” 157 CONG. REC. S5432 (daily ed. Sept. 8, 2011) (statement of Sen.

Schumer). This remark tends to support the notion that “financial product or service” should be interpreted broadly.

Regardless of this explanation, it is improper for this tribunal to rely on the legislative history of the AIA to determine the specific issue before it, i.e., whether trial should be instituted on the present petition. The Supreme Court has “stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says. When the words of a statute are unambiguous, then, this first canon of construction is also the last: judicial inquiry is complete.” *Connecticut Nat’l Bank v. Germain*, 503 U.S. 249, 253–54 (1992). “[W]hen the language of the statute is plain, legislative history is irrelevant.” *Zedner v. United States*, 547 U.S. 489, 510–11 (2006) (Scalia, J., concurring-in-part). This long standing rule is based on the constitutional limitation that legislators cannot achieve through floor statements what “they were unable to achieve through the statutory text.” *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005). Because Section 18 is unambiguously limited to “financial product[s] and service[s],” there is no reason to look to the statements of a single Senator to re-tool text that was approved by both houses of Congress and signed by the President.

Moreover, the PTO’s synopsis of the legislative history is an improper oversimplification and does not address that “financial product or service” was

intended to be interpreted ***narrowly***. In fact, when the House of Representatives debated Congressman Schock's Amendment to remove Section 18 in its entirety from the America Invents Act, several members of Congress discussed their understanding of that narrower interpretation. For example, Mr. Schock himself discussed at the beginning of his remarks that "Section 18 carves out a niche of business method patents covering technology used ***specifically in the financial industry*** and would create a special class of patents in the financial services field subject to their own distinctive post-grant administrative review." (Exhibit 2001, Congressional Record - House, June 23, 2011, H4496.) (Emphasis added.)

Similarly, Congressman Shuster expressly discussed his understanding of the narrow interpretation of the legislation. He stated:

Mr. Chair, I would like to place in the record my understanding that the definition of "covered business method patent," Section 18(d)(1) of H.R. 1249, the America Invents Act, is intended to be ***narrowly construed to target only*** those business method patents that are unique to the financial services industry in the sense that they are ***patents which only a financial services provider would use to furnish a financial product or service***. The example that I have been given is a patent relating to electronic check scanning, which is ***the type of invention that only the financial services industry would utilize as a means of providing improved or more efficient banking services***. In contrast, ***Section 18 would not encompass a patent that can be used in other industries, but which a financial services***

provider might also use. Lastly, it is also my understanding from discussions with the Committee that Section 18 is targeted only towards patents for non-technological inventions.

Id. at H4497. (Emphasis added.) It was based on that understanding that Congressman Shuster then voted to keep Section 18 in the bill. (See *Id.* at H4503.)

Likewise, Congresswoman Waters discussed that Section 18 was directed to cost savings measures in the *banking industry* when she stated “too-big-to-fail banks ... are now coming to Congress in hopes that [Congress] will help them steal a *specific type of innovation* and legislatively take other financial services-related business method patents referenced in H.R. 1249, section 18. ... Financial services-related business method patents have saved financial services companies billions of dollars.” *Id.* at H4496. *See also* Exhibit 2002, 157 Cong. Rec. S5428 (Rep. Pryor) (“It is of crucial importance to me that we clarify the intent of the [AIA § 18] process and implement it as narrowly as possible.”)

In contrast to the banking or other financial products or services patents, claim 1 recites:

1. A portable data carrier comprising:

an interface for reading and writing data from and to the

portable data carrier;

content data memory, coupled to the interface, for storing one or more content data items on the carrier;

use rule memory to store one or more use rules for said one or more content data items;

a program store storing code implementable by a processor; and

a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store, wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Claim 7 depends from claim 1 and recites “7. A portable data carrier as claimed in claim 1, further comprising payment data memory to store payment data and code to provide the payment data to a payment validation system.” Rather than recite the “practice, administration, or management of a financial product or service,” claim 7 actually omits the specifics of how payment is made and focuses on technical aspects of data on a data carrier, e.g., code for storing content data item and use rule. Claim 7, therefore, does not recite a “financial product or service” when that phrase is properly construed, both under its plain meaning and in light of the legislative history showing Congress’ intent of the narrow meaning of that phrase.

III. THE CHALLENGED CLAIM OF THE '598 PATENT IS A TECHNOLOGICAL INVENTION EXEMPT FROM CBM REVIEW

As set forth in 37 CFR 42.301(a), even if claim 7 were considered to be claiming “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,” Petitioner must show that claim 7 does not meet the exception of being directed to a technological invention. Section 42.301(b) sets forth that a claim is directed to a technological invention (and therefore not the basis for instituting a CBM review) if “the claimed subject matter *as a whole* recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”

Claim 7, as a whole, recites at least one technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution. At least one technological problem solved by the portable data carrier of claim 7 is storing at least one content data item in the content data memory and at least one use rule in the use rule memory. Moreover, it does so using a technical solution, by using “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.”

Sections III.D. and E. of the Petition also do not allege, much less prove, that “code for storing at least one content data item in the content data memory and at

least one use rule in the use rule memory” was known at the time of the invention of the patent-at-issue. Thus, as previously held in *Epsilon Data Management, LLC et al. v. RPOST Comm. Ltd.*, CBM2014-00017, paper 21, page 8, any analysis in any other portion of the Petition (other than the portion relating to whether CBM review is proper) need not be considered in determining that the Petitioner has not met its burden of proving that the claim at issue is a covered business method patent. *Id.* (“In addition, although Patent Owner addresses the analysis in the Declaration of [Petitioner’s Declarant] (*id.* at 19), which Petitioner submitted with the Petition, this analysis was not included in the relevant portion of the Petition (Pet. 2-6), and need not be considered in determining that the ... Patent[-at-issue] is a covered business method patent.”) Thus, Petitioner has not proven that the challenged claim of the ‘598 patent is not directed to a technological invention exempt from CBM review.

IV. THE MULTIPLE PETITIONS AGAINST THE ‘598 PATENT SHOULD BE TREATED AS A SINGLE PETITION HAVING A LENGTH IN VIOLATION OF 37 CFR 42.24(a)(iii)

The Petition under consideration (in CBM2014-00198) is one of two Petitions filed by Petitioner on the same day against the same patent (i.e., the ‘598 patent). (The second Petition was filed in CBM2014-00193.) Both Petitions include a substantial amount of overlap and are at least directed to issues of

invalidity in light of alleged prior art including the anticipation and obviousness of claim 7 in the '598 patent. However, instead of filing a single Petition addressing all the prior art issues within the page limits set by the PTAB, Petitioner seeks to circumvent the page limits of 37 CFR 42.24(a)(1)(iii) by filing two separate but overlapping Petitions.

If the Petitioner was unable to file its Petition within the page limits set forth by 37 CFR 42.24(a)(1), then the Petitioner was free to file a motion to waive the page limits. Section 42.24(a)(2) specifically sets forth that "Petitions to institute a trial must comply with the stated page limits but may be accompanied by a motion to waive the page limits. The Petitioner must show in the motion how a waiver of the page limits is in the interests of justice and must append a copy of the proposed petition exceeding the page limit to the motion. If the motion is not granted, the proposed petition exceeding the page limit may be expunged or returned."

However, the Petitioner here instead effectively sought to grant its own motion by filing two allegedly separate petitions, each within the 80-page limit and without showing "how a waiver of the page limits is in the interests of justice." Clearly, if there is no requirement for the Petitioner to file its allegations of invalidity over alleged prior art in a single Petition meeting the page limits set forth by the PTAB, the requirements of Section 42.24(a)(2) are meaningless. Thus, Petitioner's *two* Petitions in CBM2014-00198 and -00193 should be treated as a single Petition

beyond the page limits set forth by 37 CFR 42.24(a)(1) and each should be denied on that basis alone.

Moreover, allowing more than one CBM request on the same patent by a single Petitioner is counter to “the just, speedy, and inexpensive resolution of every proceeding” and invites an unending stream of Petitions filed by Petitioners in an effort to drown the Patent Owner’s patents in administrative proceedings, as indeed has happened in the case of this patent family. The PTAB has previously allowed another petitioner to file multiple CBMs against a single patent in the patent family of the patent under review. See CBM2014-00102 and -00103 for 8,118,221, CBM2014-00104 and -00105 for 7,334,720, CBM2014-00106 and -00107 for 8,033,458, CBM2014-00108 and -00109 for 8,061,598 (the patent under review), CBM2014-00110 and -00111 for 8,336,772 and CBM2014-00112 and -00113 for 7,942,317. However, the result has been a continuing barrage of filings such that the other petitioner subsequently filed another 9 petitions against the same six patents – at least one additional petition for each patent, and, in the cases of 7,334,720 and 8,336,772, two and three more petitions each, respectively. Together with the ten petitions for the present Petitioner, the six patents in the patent family under review have now been subject to 31 different petitions. Thus, of the 277 petitions filed through the end of 2014, 31/277 or ***more than 11% of all CBMs ever filed*** have targeted ***only six patents*** belonging to the same assignee.

Clearly, the PTAB should enforce the single Petition requirements in order to meet the requirements of 37 C.F.R. 42.1 that requires “the just, speedy, and inexpensive resolution of every proceeding.”

V. INVALIDITY IN LIGHT OF GINTER HAS ALREADY BEEN RAISED IN ANOTHER PROCEEDING

Petitioner contends that Ginter (i.e., U.S. Patent No. 5,915,019) anticipates claim 7. However, the invalidity of claim 7 in light of Ginter has already been raised in CBM2014-00109, and the PTAB denied instituting a review of claim 7 in that petition. Given that the PTAB already denied review of claim 7 in CBM2014-00109 where only obviousness was raised as to claim 7, there is no evidence to support that Petitioner can meet the higher burden of proving anticipation in the present proceeding.

Furthermore, when enacting the post-grant review proceedings, Congress explicitly sought to protect patent owners from serial attacks, such as this one, by including 35 U.S.C. 325(d) that provides in pertinent part “In determining whether to institute or order a proceeding ..., the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.” In this case, the same prior art, Ginter, has been applied to the same claim in both the current proceedings and CBM2014-00109. Indeed, Petitioner was not only aware of the

contents of the CBM2014-00109 Petition prior to filing this Petition, Petitioner even agreed in litigation to be bound by the results of that proceeding if the Texas litigation was to stayed. See footnote 4, page 3 of Exhibit 2024 (“should the Court grant Defendants’ Motion To Stay Pending CBM review, the present Defendants would stipulate to be bound to the same extent as Apple is under § 18(a)(1)(D) of the America Invents Act”). Thus, the Director should reject the petition under 35 U.S.C. 325(d) as well.

VI. CONCLUSION

The Petition does not set forth a basis upon which to institute a CBM review, the invalidity of the claim 7 in light of Ginter has already been raised in another proceeding (CBM2014-00109), and Petitioner’s Petition should be denied.

Dated: January 6, 2015

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that this PATENT OWNER'S PRELIMINARY RESPONSE (including Patent Owner's List of Exhibits) and Exhibits 2001-2002 and 2024 in CBM2014-00198 were served, by agreement of the parties, January 6, 2015 by emailing copies to counsel for the Petitioner as follows:

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