

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.

CBM2014-00198
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge.*

DECISION

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

INTRODUCTION

A. Background

Samsung Electronics America, Inc. and Samsung Electronics Co., Ltd. (“Petitioner”)¹ filed a Petition requesting covered business method patent review of claim 7 (the “challenged claim”) of U.S. Patent No. 8,061,598 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).² Paper 2 (“Pet.”). Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 5 (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 324, which provides that a covered business method patent review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”

After considering the Petition and Preliminary Response, we determine that the ’598 patent is a covered business method patent, but that Petitioner has not demonstrated that it is more likely than not that the challenged claim is unpatentable. Accordingly, we deny institution of a covered business method patent review of claim 7 of the ’598 patent.

B. Asserted Grounds

Petitioner contends that claim 7 is unpatentable under 35 U.S.C. § 102(b) as anticipated by Ginter.³ Pet. 3. Petitioner also provides a declaration from Jeffrey A. Bloom, Ph.D (“the Bloom Declaration”). Ex. 1003.

¹ Samsung Telecommunications America, LLC is listed as a real party-in-interest in the Petition, but merged with and into Samsung Electronics America, Inc., after the filing of the Petition. Paper 6, 1.

² Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011)

³ U.S. Patent No. 5,915,019 (Ex. 1023) (“Ginter”).

C. Related Matters

The parties indicate that the '598 patent is the subject of the following district court cases: *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co.*, Case No. 6:13-cv-448 (E.D. Tex.). Pet. 1; Paper 4, 2-3. Patent Owner also indicates that the '598 patent is the subject of a third district court case: *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.). Paper 4, 3. Patents claiming priority back to a common series of applications are currently the subject of CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-00112, filed by Apple Inc. See Paper 4, 2-3.

Petitioner filed a concurrent petition for covered business method patent review of the '598 patent: CBM2014-00193 ("the 193 Petition").⁴ 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; CBM2014-00194; CBM2014-00196; CBM2014-00197; CBM2014-00199; CBM2014-00200; and CBM2014-00204.

D. The '598 Patent

The '598 patent relates to "a portable data carrier for storing and paying for data and to computer systems for providing access to data to be stored" and the "corresponding methods and computer programs."

Ex. 1001, 1:21-25. Owners of proprietary data, especially audio recordings,

⁴ Patent Owner argues that the multiple petitions filed against the '598 patent violate the page limit requirement of 37 C.F.R. § 42.24(a)(iii), but does not cite any authority to support its position. Prelim. Resp. 9-12. The page limit for a petition requesting covered business method patent review is 80 pages (37 C.F.R. § 42.24(a)(iii)), and each of this Petition and the 193 Petition meets that requirement.

have an urgent need to address the prevalence of “data pirates” who make proprietary data available over the internet without authorization. *Id.* at 1:29–55. The ’598 patent describes providing portable data storage together with a means for conditioning access to that data upon validated payment. *Id.* at 1:59–2:11. This combination allows data owners to make their data available over the internet without fear of data pirates. *Id.* at 2:11–15.

As described, the portable data storage device is connected to a terminal for internet access. *Id.* at 1:59–67. The terminal reads payment information, validates that information, and downloads data into the portable storage device from a data supplier. *Id.* The data on the portable storage device can be retrieved and output from a mobile device. *Id.* at 2:1–5. The ’598 patent makes clear that the actual implementation of these components is not critical, and the alleged invention may be implemented in many ways. *See, e.g., id.* at 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

E. Challenged Claim

Petitioner challenges claim 7 of the ’598 patent. Claim 7 depends from claim 1. Claims 1 and 7 recite the following:

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

and a processor coupled to the content data memory, the use rule memory, the interface and to the program store for implementing code in the program store,

wherein the code comprises code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.

Ex. 1001, 25:54–67.

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.

Id. at 26:25–28.

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 ’598 patent according to their ordinary and customary meaning in the context of the patent’s written description. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). For purposes of this decision, we construe the claim term “use rule.”

The term “use rule” is recited in independent claim 1. Neither party proposes a construction of “use rule.” The ’598 patent describes “use rules” as “for controlling access to the stored content” (Ex. 1001, Abstract) and as “indicating permissible use of data stored on the carrier” (*id.* at 9:14-16).

The '598 patent also describes “evaluating the use status data using the use rules to determine whether access to the stored data is permitted.” *Id.* at 6:38-40; *see also id.* at 21:48-53 (“[E]ach content data item has an associated use rule to specify under what conditions a user of the smart Flash card is allowed access to the content data item.”). Accordingly, for purposes of this decision, we construe “use 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 “covered business method patent” is a patent that “claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

1. Financial Product or Service

Petitioner asserts that “the purported data carrier and payment validation system of claim 7 unquestionably are used for data processing in the practice, administration and management of financial products and services; specifically, for processing payments for data downloads.” Pet. 8. Based on this record, we agree with Petitioner that the subject matter recited by claim 7 is directed to activities that are financial in nature, namely, data

access conditioned on payment validation. Claim 7 recites “payment data memory to store payment data and code to provide the payment data to a payment validation system.” We are persuaded that payment validation is a financial activity, and conditioning data access based on payment validation amounts to a financial service. This is consistent with the Specification of the ’598 patent, which confirms claim 7’s connection to financial activities by stating that the invention “relates to a portable data carrier for storing and paying for data.” Ex. 1001, 1:21–23. The Specification also states repeatedly that the disclosed invention involves managing access to data based on payment validation. *See, e.g.*, Ex. 1001, 1:59–67; 6:60–64; 20:50–54.

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

Although we agree with Patent Owner that the statutory language controls whether a patent is eligible for a covered business method patent review, we do not agree that the phrase “financial product or service” is as limited as Patent Owner proposes. The AIA does not include as a prerequisite for covered business method patent review, a “nexus” to a “financial business,” but rather a “method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Further, contrary to Patent Owner’s view of the legislative history, the legislative history indicates that the phrase “financial product or

service” is *not* limited to the products or services of the “financial services industry,” and is to be interpreted broadly. CBM Rules, 77 Fed. Reg. at 48,735–36. For example, the “legislative history explains that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

In addition, Patent Owner asserts that claim 7 is not directed to an apparatus or method that is financial in nature because claim 7 “omits the specifics of how payment is made.” Prelim. Resp. 7. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. Prelim. Resp. 7. We determine that because payment is required by claim 7, as Patent Owner acknowledges, the financial in nature requirement of § 18(d)(1) is satisfied.

For the reasons stated above, and based on the particular facts of this proceeding, we conclude that the ’598 patent includes at least one claim that meets the financial in nature requirement of § 18(d)(1) of the AIA.

2. Exclusion for Technological Inventions

Petitioner asserts that claim 7 does not fall within § 18(d)(1)’s exclusion for “technological inventions.” Pet. 10–12. In particular, Petitioner argues that claim 7 does not recite a technological feature that is novel and unobvious, or solve a technical problem using a technical solution. *Id.* Patent Owner disagrees and argues that claim 7, as a whole, recites at least one technological feature that is novel and unobvious over the prior art. Prelim. Resp. 8–9.

We are persuaded that claim 7 as a whole does not recite a technological feature that is novel and unobvious over the prior art. For example, claim 1, on which claim 7 depends, recites only limitations such as “interface,” “content data memory,” “use rule memory,” “program store,” “processor,” “code for storing,” and “code to provide” data, which are not novel and unobvious. Claim 7 also recites a “payment validation system.” The Specification, however, discloses that the required payment validation system may be one that is already in use or otherwise commercially available. For example, “[t]he payment validation system may be part of the data supplier’s computer systems or it may be a separate e-payment system.” Ex. 1001, 8:63–65; *see also id.* at 13:35–47.

In addition, the ’598 patent makes clear that the asserted novelty of the invention is not in any specific improvement of software or hardware, but in the method of controlling access to data. For example, the ’598 patent states that “there is an urgent need to find a way to address the problem of data piracy” (*id.* at 1:52–55), while acknowledging that the “physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms” (*id.* at 12:29–32). Thus, we determine that claim 7 is merely the recitation of a combination of known technologies, which indicates that it is not a patent for a technological invention. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,764 (Aug. 14, 2012).

Patent Owner also argues that claim 7 falls within § 18(d)(1)’s exclusion for “technological inventions” because it is directed toward solving the technological problem of “storing at least one content data item in the content data memory and at least one use rule in the use rule memory”

with the technological solution of “code for storing at least one content data item in the content data memory and at least one use rule in the use rule memory.” Prelim. Resp. 8. We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 7 is a business problem—data piracy. Pet. 11. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Thus, based on the particular facts of this proceeding, we conclude that claim 7 does not recite a technological invention and is eligible for a covered business method patent review.

3. Conclusion

In view of the foregoing, we conclude that the ’598 patent is a covered business method patent under AIA § 18(d)(1) and is eligible for review using the transitional covered business method patent program.

C. Anticipation by Ginter

Petitioner argues that claim 7 is unpatentable under 35 U.S.C. § 102(b) as anticipated by Ginter. Pet. 15–37. Ginter discloses a portable “virtual distribution environment” (“VDE”) that can “control and/or meter or otherwise monitor use of electronically stored or disseminated information.” Ex. 1015, Abstract, Fig. 71, 52:26–27.

In light of the arguments and evidence, Petitioner has not established that it is more likely than not that claim 7 is unpatentable as anticipated by Ginter. Specifically, we are not persuaded that Petitioner has shown sufficiently that Ginter discloses “use rules.”

Petitioner identifies in a parenthetical Ginter’s “billing method MDE and/or budget method UDE” as the recited “use rules.” Pet. 31–32 (citing Fig. 71, 48:65–49:14, 63:34–41, 169:4–6). The cited portions of Ginter, however, do not show sufficiently that the billing method map MDE and/or budget method UDE reflects “a rule specifying a condition under which access to content is permitted,” as we construed “use rules” to mean above. Petitioner later cites additional portions of Ginter in connection with “code for storing . . . at least one use rule in the use rule memory.” Pet. 33–35. However, the examples in the cited portions of Ginter—“e.g., a price list, table, or parameters to the billing amount calculation algorithm”—relate to billing for use of a VDE content object, but not to “a rule specifying a condition under which access to content is permitted.” Ex. 1015, 190:45–57. Dr. Bloom’s conclusory testimony on this issue (Ex. 1003 ¶ 48) does not convince us otherwise.

On this record, we are not persuaded that Petitioner has established that it is more likely than not that claim 7 is unpatentable as anticipated by Ginter.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition does not establish that it is more likely than not that Petitioner would prevail in establishing the unpatentability of claim 7 of the ’598 patent.

ORDER

For the reasons given, it is:

ORDERED that the Petition for covered business method review of the ’598 patent is *denied*.

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