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Paper 33
Entered: January 27, 2017

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00124
Patent 7,942,317 B2

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

ELLURU, *Administrative Patent Judge*.

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

INTRODUCTION

Apple Inc. ("Petitioner"), filed a Petition to institute covered business method patent review of claims 1–17 and 19 of U.S. Patent No. 7,942,317 B2 (Ex. 1001, "the '317 patent") pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet.").[1] On November 10, 2015, we instituted a covered business method patent review (Paper 7, "Institution Decision" or "Inst. Dec.") based upon Petitioner's assertion that claims 2–5, 9–11, 14, 15, 17, and 19 ("the challenged claims") are directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 25[2]. Subsequent to institution, Smartflash LLC ("Patent Owner") filed a Patent Owner Response (Paper 17, "PO Resp.") and Petitioner filed a Reply (Paper 21, "Pet. Reply") to Patent Owner's Response. Patent Owner, with authorization, filed a Notice of Supplemental Authority. Paper 28 ("Notice"). Petitioner filed a Response to Patent Owner's Notice. Paper 29 ("Notice Resp.").

In our Final Decision, we determined Petitioner had established, by a preponderance of the evidence, that claims 2–5, 9–11, 14, 15, 17, and 19 of the '317 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. Paper 31 ("Final Dec."), 3, 35. Patent Owner requests rehearing of the Final Decision with respect to patent ineligibility of the challenged claims under § 101. Paper 32 ("Request" or "Req. Reh'g").

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

[2] We also instituted a review of claim 19 as being indefinite under 35 U.S.C. § 112, second paragraph. *Id*. Because a final written decision determining that claims 1, 6–8, 12, 13, and 16 of the '317 patent are unpatentable under § 103 had already issued in CBM2014-00112, we declined to institute a review of claims 1, 6– 8, 12, 13, and 16 in this proceeding. *Id*. at 6–7.

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 the challenged claims are directed to patent-ineligible subject matter. Req. Reh'g 3.

In its Request, Patent Owner initially presents arguments directed to alleged similarities between the challenged claims and those at issue in *DDR Holdings*[3], *Enfish*[4], and *Bascom*[5]. *Id.* at 4–11. Those cases were each addressed in the Patent Owner Response or Patent Owner's Notice, as well as in our Final Decision. As noted above, our rules require that the requesting party "*specifically* identify all matters the party believes the

[3] *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014).
[4] *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016).
[5] *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341 (Fed. Cir. 2016).

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. Although Patent Owner repeatedly states that the Board "misapprehends" Smartflash's argument (*see, e.g.*, Req. Reh'g 5, 10), it does not offer sufficient explanation as to how we misapprehended or overlooked any particular "matter [that] was previously addressed in a motion, an opposition, or a reply." Rather than providing a proper request for rehearing, addressing particular matters that we previously allegedly misapprehended or overlooked, Patent Owner's Request provides new briefing by expounding on argument already made.

To the extent portions of the Request are supported by Patent Owner's argument in the Patent Owner Response or in Patent Owner's Notice, we considered those arguments in our Final Decision, as Patent Owner acknowledges. *See*, *e.g.*, Req. Reh'g 5, 7, 9 (noting that the Board "rejected" Smartflash's argument with respect to each of *DDR Holdings*, *Enfish*, and *Bascom*). Our Final Decision, as noted above, addresses Patent Owner's arguments related to *DDR Holdings* (Final Dec. 17–21), *Enfish* (*id.* at 12–13), and *Bascom* (*id.* at 21–23). Patent Owner's Request is simply based on disagreement with our Final Decision, which is not a proper basis for rehearing.

Patent Owner also presents new arguments directed to alleged similarities between the challenged claims and those addressed in *McRO*[6]

[6] *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299 (Fed. Cir. 2016).

and *Amdocs*[7], which were issued after Patent Owner's Notice was filed. Req. Reh'g 11–15. Patent Owner alleges that we overlooked the Federal Circuit's decisions in *McRO* and *Amdocs*. *Id.* at 2. The decisions in those cases issued before our Final Decision and, although not specifically referenced, were considered when we determined that the challenged claims are patent-ineligible.

When addressing *McRO*, Patent Owner does little, if anything, to analogize those claims to the challenged claims, other than summarizing the discussion in *McRO* (*id.* at 11–13), and concluding that

> [b]ecause the challenged claims are a technological improvement over the then-existing systems, and limit transfer and retrieval of content based on payment and/or access rules in a process specifically designed to achieve an improved technological result in conventional industry practice, the challenged claims are not directed to an abstract idea.

Id. at 13 (citing Ex. 1001, 22:36–57 (claim 11), 26:4–7 (claim 2–5), 26:58–27:17 (claims 14, 15), 28:16–23 (claim 17)). But *McRO* does not stand for the general proposition that use of rules or conditions, such as payment, to achieve an improved technological result, alone, removes claims from the realm of abstract ideas. In *McRO*, the Court explained that "the claimed improvement [was] allowing computers to produce 'accurate and realistic lip synchronization and facial expressions in animated characters' that previously could only be produced by human animators." *Id.* at 1313 (citation omitted). The Court explained that the claimed rules in *McRO* transformed a traditionally *subjective* process performed by human artists into a mathematically *automated* process executed on computers (i.e., the

[7] *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, 841 F.3d 1288 (Fed. Cir. 2016).

processes were fundamentally different). *Id*. at 1314. The Court explained that "it [was] the incorporation of the claimed rules, not the use of the computer, that 'improved [the] existing technological process' by allowing the automation of further tasks." *Id.* at 1314 (alteration in original) (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int'l.*, 134 S. Ct. 2347, 2358 (2014)). The Court distinguished this from situations "where the claimed computer-automated process and the prior method were carried out in the same way." *Id*. (citing *Parker v. Flook*, 437 U.S. 584, 585–86 (1978); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 134 S. Ct. at 2356)).

As explained in our Final Decision, the challenged claims "merely implement an old practice in a new environment." Final Dec. 12 (quoting *FairWarning IP, LLC v. Iatric Systems, Inc.*, 839 F.3d 1089, 1094 (Fed. Cir. 2016)). The challenged claims are similar to the claims found ineligible in *FairWarning*, which the Court distinguished from those at issue *McRO*. *FairWarning*, 839 F.3d at 1094–95. In *FairWarning*, the Court explained that "[t]he claimed rules ask . . . the same questions . . . that humans in analogous situations . . . have asked for decades, if not centuries" and that it is the "incorporation of a computer, *not* the claimed rule, that purportedly 'improve[s] [the] existing technological process.'" *Id.* at 1095 (citing *Alice*, 134 S. Ct. at 2358). This is similar to the challenged claims, where the "payment data" in claim 17 and the "use rule data" in claim 14, for example, are merely conditions for "determin[ing] what access is permitted to data stored on the data carrier," that the '317 patent explains "will normally be dependent upon payments made for data stored on the data carrier" (i.e., allowing access when the data has been purchased). Ex. 1001, 9:17–21.

With respect to *Amdocs*, after generally summarizing that case, Patent Owner concludes that "the challenged claims of the '317 Patent are like the eligible claim in *Amdocs* because they solve a problem unique to computer networks . . . and use[] an unconventional technological approach." Req. Reh'g 14–15 (citing PO Resp. 17, 39–40)[8]. We disagree.

In *Amdocs*, the Court held that "[claim 1] is eligible under step two because it contains a sufficient 'inventive concept.'" *Amdocs*, 841 F.3d at 1300. The claim at issue recited "computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record." *Id*. The Court explained that the "claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases)." *Id.* The Court noted that, although the solution requires generic computer components, "the claim's enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality." *Id.* at 1300–1301. When determining that the claim was patent-eligible, the Court explained that the "enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem." *Id.* at 1301. The Court distinguished the claim from the claim held unpatentable in *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343 (Fed. Cir. 2014) on the grounds that the "enhancing limitation . . . necessarily

[8] This is the only instance where one of Patent Owner's papers is cited in the Request with respect to arguments directed to *Amdocs*.

incorporates the invention's distributed architecture—an architecture providing a technological solution to a technological problem," which "provides the requisite 'something more' than the performance of 'well-understood, routine, [and] conventional activities previously known to the industry.'" *Id.* (citations omitted).

We are not persuaded that we misapprehended *Amdocs*. As noted in our Final Decision, "[t]he '317 patent treats as well-known all potentially technical aspects of the challenged claims, which simply require generic computer components." Final Dec. 15. Unlike the generic components at issue in *Amdocs*, the generic components recited in claims 2–5, 9–11, 14, 15, 17, and 19 of the '317 patent do not operate in an unconventional manner to achieve an improvement in computer functionality. *See id.* at 17–21. The challenged claims of the '317 patent simply recite generic memories, data types, processors, and "code to" perform well-known functions with no description of the underlying implementation or programming. *See id.* at 14–17.

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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