

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

GOOGLE, INC.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00126¹
Case CBM2015-00130
Patent 8,118,221 B2

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

BISK, *Administrative Patent Judge*.

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

¹ CBM2015-00126 has been consolidated with CBM2015-00130.

INTRODUCTION

A. Background

Google, Inc., filed a Petition to institute covered business method patent review of claim 3 of U.S. Patent No. 8,118,221 B2 (“the ’221 patent”). CBM2015-00126, Paper 3² (“’126 Pet.”). Apple Inc., also filed a Petition to institute covered business method patent review of claims 3–10, 12–31, and 33 of the ’221 patent. CBM2015-00130, Paper 2 (“Pet.”). On November 16, 2015, we instituted a covered business method patent review in CBM2015-00126 (Paper 8, “’126 Institution Decision” or “’126 Inst. Dec.”) based upon Google’s assertion that claim 3 is directed to patent ineligible subject matter under 35 U.S.C. § 101. CBM2015-00126, Inst. Dec. 19. The same day we instituted a covered business method patent review in CBM2015-00130 (Paper 9, “Institution Decision” or “Inst. Dec.”) based upon Apple’s assertion that claims 3–10, 15–31, and 33 are directed to patent ineligible subject matter under 35 U.S.C. § 101 and that claim 22 is indefinite under 35 U.S.C. § 112. CBM2015-00130, Inst. Dec. 25.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed Patent Owner Responses (CBM2015-00126, Paper 21 (“’126 PO Resp.”); CBM2015-00130, Paper 19 (“PO Resp.”) and Google and Apple each filed Replies (CBM2015-00126, Paper 22 (“’126 Reply”); CBM2015-00130, Paper 23 (“Reply”) to Patent Owner’s Response, respectively.

² Google filed two versions of the Petition: Paper 2, which is sealed and accessible to the parties and Board only, and Paper 3, which is a public version of the Petition containing a small portion of redacted text. For purposes of this Decision, we refer only to the public version of the Petition.

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Patent Owner, with authorization, filed Notices of Supplemental Authority. CBM2015-00126, Paper 28; CBM2015-00130, Paper 30 (“Notice”). Google and Apple each filed Responses to Patent Owner’s Notices, respectively. CBM2015-00126, Paper 29 (“126 Notice Resp.”); CBM2015-00130, Paper 31 (“Notice Resp.”).

We held a joint hearing of both cases, along with several other related cases, on July 18, 2016. CBM2015-00126, Paper 30; CBM2015-00130, Paper 32 (“Tr.”).³ At the hearing, we discussed with all parties the possibility of consolidating these two cases because of the overlapping issues. Tr. 30:3–16, 72:11–73:12. No party objected. *Id.* Thus, we issue one opinion covering both CBM2015-00126 and CBM2015-00130.⁴

This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73. For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 3–10, 15–31, and 33 of the ’221 patent are directed to patent ineligible subject matter under 35 U.S.C. § 101. We also determine that claim 22 is indefinite under 35 U.S.C. § 112.

B. Related Matters and Estoppel

We have issued two previous Final Written Decisions in reviews challenging the ’221 patent. In CBM2014-00102, we found claims 1, 2, and 11–14 unpatentable under 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*,

³ Unless otherwise noted (using “’126” prior to the citation), all future citations in this Decision are to CBM2015-00130.

⁴ For purposes of this Decision, the term “Petitioner” refers to both Google and Apple.

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Case CBM2014-00102, (PTAB Sept. 25, 2015) (Paper 52). In CBM2014-00194, we found claim 32 unpatentable under 35 U.S.C. § 101. *Samsung Electronics America, Inc. v. Smartflash LLC*, Case CBM2014-00194, (PTAB Mar. 29, 2016) (Paper 51).

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 Claims

The claims under review are claims 3–10, 15–31, and 33 of the '221 patent (the “challenged claims”). Inst. Dec. 24. Of the challenged claims, claim 17, 24, and 28 are independent, claims 3–10 depend directly or indirectly from unchallenged independent claim 1, claims 15 and 16 depend directly or indirectly from unchallenged independent claim 12, claims 18–23 depend directly or indirectly from challenged independent claim 17, claims 25–27 depend directly or indirectly from challenged independent claim 24, claims 29–31 depend directly or indirectly from challenged independent claim 28, and claim 33 depends from unchallenged independent claim 32. Claims 1, 3, 12, 17, and 24 are reproduced below:

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.

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Ex. 1001, 25:50–62.

3. 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.

12. A method of providing data from a data supplier to a data carrier, the method comprising:

- reading payment data from the data carrier;
- forwarding the payment data to a payment validation system;
- retrieving data from the data supplier; and
- writing the retrieved data into the dat[a] carrier.

Id. at 27:1–16.

17. A data access device for retrieving stored data from a data carrier, the device comprising:

- a user interface;
- a data carrier interface;
- a program store storing code implementable by a processor; and
- a processor, coupled to the user interface, to the data carrier interface and to the program store for implementing the stored code, the code comprising:
 - code to retrieve use status data indicating a use status of data stored on the carrier, and use rules data indicating permissible use of data stored on the carrier;
 - code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data; and
 - code to access the stored data when access is permitted.

Id. at 27:1–16.

24. A method of controlling access to data from a data carrier, comprising:
- retrieving use status data from the data carrier indicating past use of the stored data;
 - retrieving use rules from the data carrier;
 - evaluating the use status data using the use rules to determine whether access to data stored on the carrier is permitted; and
 - permitting access to the data on the data carrier dependent on the result of said evaluating.

Id. at 27:37–45.

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 claims 3–10, 15–31, and 33 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 39–76; '126 Pet. 18–33. According to Petitioner, 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.* Google submits a declaration from Dr. Justin Douglas Tygar in support of its Petition.⁵ '126 Ex. 1002. Apple submits a declaration from Dr. John P. J. Kelly in support of its Petition.⁶ Ex. 1021. Patent Owner argues that the challenged claims are “directed to machines or useful processes, both patent eligible subject matter under § 101.” PO Resp. 20.

1. *Abstract Idea*

Under 35 U.S.C. § 101, we must first identify whether an invention fits within one of the four statutorily provided categories of patent-eligibility: “processes, machines, manufactures, and compositions of matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–714 (Fed. Cir. 2014). Here, the challenged claims recite a “machine,”—i.e., a “data access terminal,” (claims 3-10, 32, 33), a “data access system” (claims 28–31), or a “data access device” (claims 17–23)—and a “process”—i.e., a “method” (claims 15, 16, 24–27)—under § 101. Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature,

⁵ In its Response, Patent Owner argues that Dr. Tygar’s declaration should be given little or no weight. '126 PO Resp. 5–11. Because Patent Owner has filed a Motion to Exclude ('126 Paper 24, 1–8) that includes a request to exclude Dr. Tygar’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.

⁶ In its Response, Patent Owner argues that Dr. Kelly’s declaration should be given little or no weight. PO Resp. 6–17. Because Patent Owner has filed a Motion to Exclude (Paper 26, 7–12) that includes a request to exclude Dr. Kelly’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.

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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 the challenged claims are directed to the abstract idea of “controlling access to something based on validation that payment has been made” (’126 Pet. 21) or “payment for and/or controlling access to data” (Pet. 41). Specifically, Petitioner contends that “each challenged claim is drawn on its face to the concept of payment for and/or controlling access to data.” Pet. 43; *see also* ’126 Pet. 22 (“challenged claim 3 simply performs four steps inherent in the abstract idea of conditioning access on payment validation.”).

We are persuaded that the challenged claims are drawn to a patent-ineligible abstract idea. Specifically, the challenged claims are directed to performing the fundamental economic practice of conditioning and controlling access to content. For example, claim 17 recites “code to evaluate the use status data using the use rules data to determine whether access is permitted to the stored data.” Ex. 1001, 27:1–15.

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 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, the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the Specification, is controlling access to content based upon payment as Petitioner contends. As discussed further below, this is a fundamental economic practice long in existence in commerce. *See Bilski*, 561 U.S. at 611.

Patent Owner argues that claims 3–10, 15–31, and 33 are directed to “machines or useful processes, both patent eligible under § 101.” PO Resp. 20. Patent Owner, however, cites no controlling authority to support the proposition that subject matter is patent-eligible as long as it is directed to “various real-world structural components” or “real-world physical components.” PO Resp. 21. As Petitioner correctly points out (Reply 2–3), that argument is contradicted by well-established precedent:

There is no dispute that a computer is a tangible system (in § 101 terms, a “machine”), or that many computer-implemented claims are formally addressed to patent-eligible subject matter. But if that were the end of the § 101 inquiry, an applicant could claim any principle of the physical or social sciences by reciting a computer system configured to implement the relevant concept.

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Such a result would make the determination of patent eligibility “depend simply on the draftman’s art,” ... thereby eviscerating the rule that “... abstract ideas are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2358-59 (2014) (internal citations omitted).

Patent Owner also argues that the challenged claims are like those found not to be directed to an abstract idea in *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, and in *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147. PO Resp. 23–26. These decisions are non-precedential and distinguishable. In CBM2015-00113, the panel’s determination turned on a step requiring “correlating, by the computer system using a non-exhaustive, near neighbor search, the first electronic media work with [an or the first] electronic media work identifier” and on the Petitioner’s formulation of the alleged abstract idea. *Google Inc. v. Network-1 Technologies, Inc.*, CBM2015-00113, (PTAB Oct. 19, 2015) (Paper 7, 13). Patent Owner argues that the challenged claims are like those at issue in CBM2015-00113 because they “correlate use status data and/or use rules with content” (PO Resp. 21). As the panel in CBM2015-00113 explained, however, the claims at issue there required “particular types of searching processes”—i.e., “a non-exhaustive, near neighbor search”—that are different than the abstract idea alleged by Petitioner. CBM2015-00113, Paper 7, 12–13. In this case, none of the challenged claims recite a *specific* search process by which use rules would be correlated with content data items. Some challenged claims do not even recite “use rules” or “use rule data” (e.g., claims 12, 15). Method claim 16 recites “retrieving from the data supplier a stored data item identifier and associated value data and use

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rule data,” but “retrieving” does not imply “correlating, by the computer system” using a particular type of search. With respect to CBM2015-00147, Patent Owner mischaracterizes the Institution Decision. PO Resp. 25–26. The panel’s determination in that case was based on step two, not step one, of the *Mayo/Alice* test. *Hulu, LLC v. iMTX Strategic, LLC*, CBM2015-00147 (PTAB Nov. 30, 2015) (Paper 14, 14) (“As in *DDR*, we are persuaded that, however the abstract idea is characterized, the ’854 patent claims do not meet the second prong of the *Mayo/Alice* test.”).

Patent Owner’s Notice of Supplemental Authority also does not alter our determination. Patent Owner argues that the challenged claims are “directed to an improvement to computer functionality.” Notice 1 (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016)). The challenged claims, according to Patent Owner, are “directed to specific devices, systems, and methods for managing data to facilitate convenient and secure provision of digital content” (*id.* at 2) and, therefore, “like those in *Enfish*, ‘are directed to a *specific implementation of a solution to a problem*,’ in Internet digital commerce.” *Id.* at 3 (emphasis added by Patent Owner). Unlike the self-referential table at issue in *Enfish*, however, the challenged claims do not purport to be an improvement to the way computers operate. Instead, they “merely implement an old practice in a new environment.” *FairWarning IP, LLC v. Iatric Systems, Inc.*, No. 2015-1985, slip op. 7 (Fed. Cir. Oct. 11, 2016). Petitioner argues, and we agree, that the challenged claims, like those in *In re TLI Communications LLC Patent Litigation*, 823 F.3d 607 (Fed. Cir. 2016), “perform[] generic computer functions such as storing, receiving, and extracting data” using

“physical components” that “behave exactly as expected according to their ordinary use” and “merely provide a generic environment in which to carry out the abstract idea” of controlling access to content based on payment and/or rules. Notice Resp. 2–3 (quoting *In re TLI Communications LLC Patent Litigation*, 823 F.3d at 612–15). The limitations of the challenged claims—e.g., “code to read payment data,” “code to receive payment validation data,”—are so general that they

do no more than describe a desired function or outcome, without providing any limiting detail that confines the claim to a particular solution to an identified problem. The purely functional nature of the claim confirms that it is directed to an abstract idea, not to a concrete embodiment of that idea.

Affinity Labs of Texas, LLC v. Amazon.com Inc., No. 2015-2080, slip op. 7 (Fed. Cir. Sept. 23, 2016) (citation omitted).

We are, thus, persuaded, based on the Specification and the language of the challenged claims, that claims 3–10, 15–31, and 33 are directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

“A claim that recites an abstract idea must include ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].’” *Alice*, 134 S. Ct. at 2357 (quoting *Mayo*,

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

Petitioner argues that “the [challenged c]laims’ ‘additional features’ recite only well-known, routine, and conventional computer components and activities, which is insufficient to establish an inventive concept.” Reply 6. Petitioner adds that “[t]he specification [of the ’221 patent] itself disclaims [the claimed hardware elements] as non-inventive.” *Id.* (citing Ex. 1001, 4:4–13, 11:28–29, 12:29–32, 13:35–38, 16:46–50, 18:7–17). We are persuaded that claims 3–10, 15–31, and 33 do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S. Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1344 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry). Specifically, we agree with and adopt the rationale articulated in the Petition that the additional elements of the challenged claims are generic features of a

computer that do not bring the challenged claims within § 101 patent eligibility. Pet. 49–82; Reply 6–19; ’126 Pet. 25–31; ’126 Reply 8–12.

a. Technical Elements

Petitioner argues that the challenged claims are unpatentable because they are directed to an abstract idea and any “additional features” fall into “at the very most two categories—field of use limitations and generic computer implementations.” Pet. 49–50; Reply 6. Patent Owner disagrees, arguing that the challenged claims are patentable because they “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. 40 (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 the challenged claims, including the “data carrier,” “data supplier,” “payment validation system,” and “mobile communication device.” See Reply 6 (citing Ex. 1001, 4:4–13, 11:28–29, 12:29–32, 13:35–38, 16:46–50, 18:7–17). 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.” 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

(“[l]ikewise data stores 136, 138 and 140 may comprise a single physical data store or may be distributed over a plurality of physical devices and may even be at physically remote locations from processors 128-134 and coupled to these processors via internet 142”), Fig. 6. 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. 53–55; Reply 7–10. 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 the challenged claims “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. 40. The challenged claims also recite 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

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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. *See Content Extraction and Transmission LLC*, 776 F.3d at 1347 (“The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions.”). This recitation of generic computer memories and data types, being used in the conventional manner, is insufficient to confer the specificity required to elevate the nature of the claim into a patent-eligible application. *Alice*, 134 S. Ct. at 2355 (quoting *Mayo*, 132 S. Ct. at 1294) (“We have described step two of this analysis as a search for an ‘inventive concept’—i.e., an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent on the [ineligible concept] itself.’”) (brackets in original); *Affinity Labs*, No. 2015-2080, slip op. 10–11 (“The claims do not go beyond ‘stating [the relevant] functions in general terms, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.’”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claims do not cover a “particular machine.” Pet. 75–76; *see Bilski*, 561 U.S. at 604–05 (stating that machine-or-transformation test remains “a useful and important clue” for determining whether an invention is patent eligible). And the challenged claims do not transform an article into a different state of thing. Pet. 75–76.

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 the challenged claims are directed to statutory subject matter because the claimed solution is “necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 33 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that

By using a system that combines on the data carrier 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 32.

Patent Owner further argues that the “claimed computer code does, in fact, function in an unconventional manner by writing the retrieved data into

the same carrier as the carrier from which the payment data was retrieved.”
Id. at 36–37.

Petitioner responds that the challenged claims are distinguishable from the claims in *DDR Holdings*. Reply 13–16. The *DDR Holdings* patent is directed at retaining website visitors when clicking on an advertisement hyperlink within a host website. 773 F.3d at 1257. Conventionally, clicking on an advertisement hyperlink would transport a visitor from the host’s website to a third party website. *Id.* The Federal Circuit distinguished this Internet-centric problem over “the ‘brick and mortar’ context” because “[t]here is . . . no possibility that by walking up to [a kiosk in a warehouse store], the customer will be suddenly and completely transported outside the warehouse store and relocated to a separate physical venue associated with the third party.” *Id.* at 1258. The Federal Circuit further determined that the *DDR Holdings* claims specify “how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink.” *Id.* The unconventional result in *DDR Holdings* is the website visitor is retained on the host website, but is still is able to purchase a product from a third-party merchant. *Id.* at 1257–58. The limitation referred to by the Federal Circuit in *DDR Holdings* recites “using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.” *Id.* at 1250. Importantly, the Federal Circuit identified this limitation as

differentiating the *DDR Holdings* claims from those held to be unpatentable in *Ultramercial*, which “broadly and generically claim ‘use of the Internet’ to perform an abstract business practice (with insignificant added activity).” *Id.* at 1258.

We agree that the challenged claims are distinguishable from the claims at issue in *DDR Holdings*. As an initial matter, we are not persuaded by Patent Owner’s argument that the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks,” “the problem of data content piracy on the Internet.” PO Resp. 1–3. Data piracy exists in contexts other than the Internet. *See* Reply 13–14 (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 the challenged claims is not rooted in specific computer technology, but is based on conditioning and controlling access to content only when payment is validated. *See* Reply 16–17 (citing *Ultramercial*, 772 F.3d at 712).

Even accepting Patent Owner’s assertion that the challenged claims address data piracy on the Internet (PO Resp. 1–3), we are not persuaded that they do so by achieving a result that overrides the routine and conventional use of the recited devices and functions. In fact, the differences between the challenged claims and the claims at issue in *DDR Holdings* are made clear by Patent Owner in its table mapping claims 1, 17,

and 33 of the '221 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 34–46. For example, Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with 3 limitations recited by claim 32 (and inherited by claim 33): (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. 43–44. Patent Owner, however, fails to identify how these limitations of claim 33, like the corresponding *DDR Holdings* limitation, do not “adher[e] to the routine, conventional functioning” of the technology being used. PO Resp. 41–46; *DDR Holdings*, 773 F.3d at 1258. There is no language in claim 33, in any of the other challenged claims, or in the Specification of the '221 patent, that demonstrates that the generic computer components function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to retrieve,” “code to . . . write,” and “code to . . . receive” limitations, for example, like all the other limitations of the challenged claims, are “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an inventive concept.”

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Ultramercial, Inc., 772 F.3d at 716. These limitation 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 the challenged claims, were also directed to a method for distributing media products. Whereas the challenged claims control access to content based on a use rule or use status data, the *Ultramercial* claims control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ultramercial*, the majority of limitations in the challenged claims comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine additional hardware, such as “interfaces,” “program store,” and “processor,” and 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 the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Bascom

Patent Owner’s Notice of Supplemental Authority does not alter our determination. Patent Owner characterized the Federal Circuit’s decision in *BASCOM Global Internet Services, Inc. v. AT&T Mobility, LLC.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) as follows:

[The Federal Circuit] concluded at step two that the claims did not “merely recite the abstract idea of filtering content along with the requirement to perform it on the Internet, or to perform it on a set of generic computer components.” *Id.* at *6-*7. The patent claimed “installation of a filtering tool at a specific location . . . with customizable filtering features specific to each end user.” *Id.* at *6. That design provided specific benefits over alternatives; it was not “conventional or generic.” *Id.*

Notice 4. Relying on *Bascom*, Patent Owner contends that its claims “‘recite a specific, discrete implementation’ – concrete devices, systems, and methods – for purchasing, downloading, storing, and conditioning access to digital content.” *Id.* (citation omitted). Patent Owner argues that the challenged claims, like those in *Bascom*, involve known components “‘arranged in a non-conventional and non-generic way,’” namely by requiring “‘a handheld multimedia terminal to store *both* payment data *and* multimedia content data – thus ‘improv[ing] an existing technological process.’” *Id.* at 5 (quoting *Bascom*, 827 F.3d at 1351).

As Petitioner argues, even if every challenged claim required storing both payment data and multimedia content data on a handheld media terminal, Patent Owner still would not have rebutted Petitioner’s showing that doing so was neither inventive nor improved “the performance of the computer system itself.” Notice Resp. 4 (quoting *Bascom*, 827 F.3d at

1351). The concept of storing two different types of information in the same place or on the same device is an age old practice, as we discuss in the next section. *See infra*; *see also* Pet. 10–11 (citing Ex. 1016); Ex. 1016, 10:24–30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 12–13 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). As a result, the challenged claims do not achieve a result that overrides the routine and conventional use of the recited devices and functions. Rather, each of the challenged claims is “an abstract-idea-based solution implemented with generic technical components in a conventional way,” making it patent ineligible. *See BASCOM*, 827 F.3d at 1351.

d. Patent Owner’s Alleged Inventive Concept

To the extent Patent Owner argues the challenged claims include an “inventive concept” because of the specific combination of elements in the challenged claims, we disagree. Specifically, Patent Owner refers to the following disclosure from the ’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. 20 (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 the digital content and payment data, access control to the digital content can be continuously enforced prior to access to the digital

content and additional content can be purchased.” *Id.* Thus, Patent Owner concludes that “[b]y comparison, unlike a system as claimed, when a DVD was physically rented for a rental period there was no mechanism associated with the DVD to purchase additional content.” *Id.*

As Petitioner notes, the concept of continuously enforced access control to digital content are not recited in the challenged claims. Pet. Reply 7 n.2. Moreover, the concept of storing 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 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. 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 (including payment validation data) for providing access to the content. *See, e.g.*, Pet. 10–11 (citing Ex. 1016); Ex. 1016, 10:24–30 (describing “a rental product . . . formatted to include a time bomb or other disabling device which will disable the product at the end of the rental period.”); *see also* Pet. 12–13 (citing Ex. 1013); Ex. 1013, Abstract (describing “[a] system for controlling use and distribution of digital works . . . the owner of a digital work attaches usage rights to that work.”). To the extent Patent Owner argues that the challenged claims cover storing, on the same device, both content and a *particular* type of condition for providing access to content or information necessary to apply that condition (e.g., continuous enforcement of access to

the digital content and purchase of additional content (PO Resp. 18–20)), we do not agree that this, by itself, is sufficient to elevate the challenged claims to patent-eligible subject matter. Because the concept of combining the content and conditions for providing access to the content on the same device was known, claiming a particular type of condition does not make the claim patent eligible under § 101.

e. Preemption

The Petition states that the “broad functional coverage [of the challenged claims] firmly triggers preemption concerns.” Pet. 73. Patent Owner responds that the challenged claims do not result in inappropriate preemption. PO Resp. 55–62. According to Patent Owner, the challenged claims do not attempt to preempt every application of the idea “because they contain elements not required to practice the abstract idea.” *Id.* at 46; *see also id.* at 62 (“the [challenged] claims do not tie up or prevent the use of the purported abstract idea. . . because there are an infinite number of ways of paying for and controlling access to content using a processor and a program store other than what it claimed”). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claims do not raise preemption concerns. *Id.* at 55–62. Finally, Patent Owner also asserts that our analysis ignores PTAB precedent. *Id.* at 57–62.

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 18–19 (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 the challenged claims are drawn to an abstract idea and do not add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. The alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives does not alter this conclusion because the question of preemption is inherent in, and resolved by, this inquiry.

f. Patent Owner’s Remaining Arguments

Patent Owner also asserts that (1) Petitioner has already lost a Motion for Summary Judgment of Invalidity under § 101 in its related district court litigation (“the “co-pending litigation”) with Patent Owner (PO Resp. 62–63); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 64); (3) invalidating patent claims via Covered Business Method patent review is unconstitutional (*id.* at 64–66); and (4) section 101 is not a ground on which a Covered Business

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Method patent review may be instituted (*id.* at 67–69). For the following reasons, we are not persuaded by these arguments.

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). As a result, we are not persuaded that the district court decisions referred to by Patent Owner preclude our determination of the patentability of the challenged claims under § 101.

Patent Owner also does not provide any authority for its assertion that “[t]he question of whether the instituted claims are directed to statutory subject matter has already been adjudicated by the USPTO, and the USPTO is estopped from allowing the issues to be raised in the present proceeding.” PO Resp. 64.

In addition, we decline to consider Patent Owner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riffin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 USPQ2d 1705, 1710 (TTAB 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Amanda Blackhorse, Marcus Briggs-Cloud, Philip Gover, Jillian Pappan and Courtney Tsotigh v. Pro-Football, Inc.*, 111 USPQ2d 1080 (TTAB 2014); *but see American Express Co. v. Lunenfeld*, Case CBM2014-00050, slip. op. at 9–10 (PTAB May 22, 2015) (Paper 51) (“for the reasons articulated in *Patlex*, we conclude that covered

business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment”).

As to Patent Owner’s remaining argument, Patent Owner concedes that the Federal Circuit, in *Versata*, found that “the PTAB acted within the scope of its authority delineated by Congress in permitting a § 101 challenge under AIA § 18.” PO Resp. 67 n.4 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper.

3. Conclusion

For the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claims 3–10, 15–31, and 33 of the ’221 patent are unpatentable under § 101.

C. Indefiniteness

Petitioner contends that claim 22 is also unpatentable under 35 U.S.C. § 112, ¶ 2 as indefinite. Pet. 76–79. Petitioner’s basis for this challenge is that claim 22 recites the phrase “said use rules,” but lacks antecedent basis, even in claim 17, from which claim 22 depends (*id.* at 76–77).

Claim 22 depends from claim 17 and recites “wherein *said use rules* permit partial use of a data item stored on the carrier and further comprising code to write partial use status data to the data carrier when only part of a stored data item has been accessed.” Claim 17 does not recite the term “use rules,” but does recite “code to retrieve . . . *use rules data* indicating permissible use of data stored on the carrier” and “code to evaluate the use status data using the *use rules data*.” Petitioner notes that the Board has previously construed these two terms, in related patents, to have different meanings. Pet. 77 (citing Case No. CBM2014-00108 Paper 8, 7 (construing

“use rule”); Case No. CBM2014-00112 Paper 7, 7 (construing “use rule data”). Petitioner, thus, contends that a person of ordinary skill would not understand whether claim 22 should properly recite “wherein said *use rules data* permit.” *Id.*

Patent Owner contends that “Petitioner’s allegation of ambiguity is disingenuous given that in the District Court litigation Petitioner provided a *single* claim construction definition for ‘use rule’ and ‘use rule data’ for various Smartflash patent claims.” PO Resp. 70. Patent Owner, however, does not provide evidence or even explain how, based on the claim constructions adopted in this proceeding, the term “said use rules” would have given clear notice of what is claimed to a person of ordinary skill in the art. *See* PO Resp. 70–71; Prelim. Resp. 38–40. In fact, Patent Owner offers no evidence regarding how one skilled in the art would understand “said use rules” in claim 22. *Id.*

Upon consideration of the entire record, we are persuaded sufficiently by Petitioner’s argument that a person of ordinary skill in the art would not know that the antecedent basis for “said use rules” refers back to the “use rules data” introduced in claim 17. Although lack of antecedent basis alone is insufficient to render a claim indefinite, here the lack of antecedent basis introduces ambiguity into the claim. It is unclear whether claim 22 should recite “use rules” or “said use rules data,” rather than “said use rules.” As indicated above, we have construed “use rules” and “use rules data” differently. Accordingly, we are persuaded that claim 22 is amenable to two plausible claim interpretations, and we determine that the phrase “said use rules” does not inform those skilled in the art about the scope of the

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invention with reasonable certainty and, therefore, is indefinite under 35 U.S.C § 112, ¶ 2. *In re Packard*, 751 F.3d 1307, 1311 (Fed. Cir. 2014) (affirming Board’s conclusion, in context of *ex parte* appeal, that claims were indefinite “on grounds that they ‘contain[] words or phrases whose meaning is unclear.’”).

MOTIONS TO EXCLUDE

A. Patent Owner’s Motion to Exclude in CBM2015-00126

Patent Owner seeks to exclude Exhibits 1002, 1004–09, 1014, 1015, and 1022–24. ’126 Paper 24 (“’126 Mot.”), 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner’s Motion to Exclude is *denied*.

1. Exhibit 1002

Patent Owner moves to exclude Exhibit 1002, the Tygar Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. ’126 Mot. 1–8; ’126 Paper 27, 1–2. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, because he (1) did not employ scientifically valid reasoning or methodology because he did not establish a false positive rate or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) did not apply his methodology to non-Smartflash patents; (4) did not consider other possible

abstract ideas; and (5) did not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Tygar in arriving at his conclusions. '126 Mot. 3–8. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Tygar's testimony is "based on sufficient facts or data," is "the product of reliable principles and methods," or "reliably applie[s] the principles and methods to the facts of the case." '126 Paper 29, 7.

Petitioner argues that (1) Dr. Tygar's opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner's argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Tygar performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. '126 Paper 25 ("'126 Opp."), 2–5 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Tygar's Declaration. Because Exhibit 1002 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1002 in its entirety or any paragraph therein.

2. Exhibits 1004–09, 1014, and 1022–24

Patent Owner seeks to exclude Exhibits 1004–09, 1014, and 1022–24 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. ’126 Mot. 8–10.

Petitioner counters that all of these exhibits “are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional” and, thus, are relevant to the question of patent eligibility. ’126 Paper 27 (“’126 Opp.”), 5–8.

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 1015

Patent Owner seeks to exclude Exhibit 1015—the Original Complaint filed by Patent Owner in the co-pending litigation—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). ’126 Mot. 11–13; ’126 Paper 27, 3–4. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’221 patent in the complaint because the ’221 patent itself is in evidence. ’126 Mot. 13. Moreover, according to Patent Owner, its characterization of the ’221 patent is irrelevant and, even if relevant, cumulative to the ’221 patent itself. *Id.* at 11–12.

We are persuaded that Exhibit 1015 is not offered not for the truth of the matter asserted (i.e., the content of the ’221 patent), but as evidence of how Patent Owner has characterized the ’221 patent. Thus, Patent Owner

has not persuaded us that Exhibit 1015 is evidence of the content of a writing or that it is cumulative to the '221 patent. Furthermore, Patent Owner has not persuaded us that Exhibit 1015 is irrelevant, at least because its characterization of the '221 patent in prior proceedings is relevant to the credibility of its characterization of the '221 patent in this proceeding. Patent Owner contends that Exhibit 1015 does not contradict its characterization of the '221 patent in this proceeding such that the credibility of Patent Owner's characterization is an issue. '126 Mot. 12. This argument misses the point because the credibility of Patent Owner's characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes ('126 Opp. 9–10), Patent Owner's characterization of the '221 patent in prior proceedings is relevant to Patent Owner's contention in this proceeding that the '221 patent does not satisfy the “financial in nature” requirement for a covered business method patent review '126 PO Resp., 15–20.

Accordingly, we decline to exclude Exhibit 1015.

B. Patent Owner's Motion to Exclude in CBM2015-00130

Patent Owner seeks to exclude Exhibits 1002, 1005–07, 1010, 1012–21, 1023, and 1031–43. Paper 26 (“Mot.”), 1. As movant, Patent Owner has the burden of proof to establish that it is entitled to the requested relief. See 37 C.F.R. § 42.20(c). For the reasons stated below, Patent Owner's Motion to Exclude is *denied*.

1. Exhibit 1002 and 1043

Patent Owner seeks to exclude Exhibit 1002—the First Amended Complaint filed by Patent Owner in the co-pending litigation—and Exhibit

1043—Trial Transcript of *Smartflash LLC v. Apple Inc.*, 6:13-cv-447 (E.D. Tex.) for February 16, 2015—as inadmissible other evidence of the content of a writing (FRE 1004), irrelevant (FRE 401), and cumulative (FRE 403). Mot. 1–4; Paper 29, 1–2. Specifically, Patent Owner argues that the Petition does not need to cite Patent Owner’s characterization of the ’221 patent in the complaint because the ’221 patent itself is in evidence. Mot. 4. Moreover, according to Patent Owner, its characterization of the ’221 patent is irrelevant and, even if relevant, cumulative to the ’221 patent itself. *Id.* at 2–3.

We are persuaded that Exhibits 1002 and 1043 are offered not for the truth of the matter asserted (i.e., the content of the ’221 patent), but as evidence of how Patent Owner has characterized the ’221 patent. Thus, Patent Owner has not persuaded us that Exhibits 1002 and 1043 are evidence of the content of a writing or that it is cumulative to the ’221 patent. Furthermore, Patent Owner has not persuaded us that Exhibits 1002 and 1043 are irrelevant, at least because its characterization of the ’221 patent in prior proceedings is relevant to the credibility of its characterization of the ’221 patent in this proceeding. Patent Owner contends that Exhibits 1002 and 1043 do not contradict its characterization of the ’221 patent in this proceeding such that the credibility of Patent Owner’s characterization is an issue. Mot. 3. This argument misses the point because the credibility of Patent Owner’s characterization is for the Board to weigh after deciding the threshold issue of admissibility. As Petitioner notes (Paper 27 (“Opp.”), 2), Patent Owner’s characterization of the ’221 patent in prior proceedings is relevant to Patent Owner’s contention in this proceeding that the ’221 patent

does not satisfy the “financial in nature” requirement for a covered business method patent review (PO Resp. 71–75; Paper 7 (Preliminary Response), 46–50).

Accordingly, we decline to exclude Exhibits 1002 and 1043.

2. Exhibits 1005–07, 1010, 1012–20, 1023, 1031–35, and 1038–42

Patent Owner seeks to exclude Exhibits 1005–07, 1010, 1012–20, 1023, 1031–35, and 1038–42 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Mot. 4–5.

Petitioner counters that all of these exhibits “are relevant to the state of the art—whether the technical limitations of the challenged claim were well-known, routine, and conventional” and, thus, are relevant to the question of patent eligibility. Opp. 4–5.

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 1021

Patent Owner moves to exclude Exhibit 1021, the Kelly Declaration, on grounds that it is directed to questions of law and is unreliable because it fails to meet the reliability requirements of 37 C.F.R. § 42.65(a) and FRE 702. Mot. 7–12; Paper 29, 3–4. Specifically, Patent Owner contends that the declaration is directed to statutory subject matter, which is inadmissible under 37 C.F.R. § 42.65(a), and there is no assurance that his testimony is reliable, as required by FRE 702, Dr. Kelly (1) does not employ

scientifically valid reasoning or methodology because he could not provide a false positive rate (i.e., finding a claim to be ineligible when it was eligible) or false negative rate; (2) did nothing to test the method he used to ensure it was repeatable and reliable; (3) could not define an abstract idea; (4) looked for an inventive concept over the prior art rather than over the abstract idea itself; and (5) does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used in arriving at his conclusions. Mot. 8–9. Thus, Patent Owner concludes that we cannot assess, under FRE 702, whether Dr. Kelly’s testimony is “based on sufficient facts or data,” is “the product of reliable principles and methods,” or “reliably applie[s] the principles and methods to the facts of the case.” Paper 29, 3.

Petitioner argues that (1) Dr. Kelly’s opinions relate to factual issues that underlie the § 101 inquiry and there is no dispute that he is competent to opine on those issues (2) there is no support for Patent Owner’s argument that experts need to review legal opinions to determine a false positive or negative rate; and (3) Dr. Kelly performed the correct inquiry, which is whether the claims provide an inventive concept despite being directed to an abstract idea. Opp. 9–11 (citation omitted).

Patent Owner has not articulated a persuasive reason for excluding Dr. Kelly’s Declaration. Because Exhibit 1021 relates to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. It is within our discretion to determine the appropriate weight to be accorded to the evidence presented, including the weight accorded to expert opinion, based on the disclosure of the underlying

facts or data upon which the opinion is based. Our discretion includes determining whether the expert testimony is the product of reliable principles and methods and whether the expert has reliably applied the principles and methods to the facts of the case. *See* FRE 702. Accordingly, we decline to exclude Exhibit 1021 in its entirety or any paragraph therein.

4. Exhibit 1028

Patent Owner moves to exclude Exhibit 1028, the April 8–9, 2015, deposition transcript of Dr. Jonathan Katz, Patent Owner’s expert in CBM2014-00102, CBM2014-00106, CBM2014-00108, and CBM2014-0112, on the grounds that it is irrelevant hearsay. Mot. 12; Paper 29, 4. Petitioner argues that this testimony not hearsay because it is a party admission under FRE 801(d)(2)(C) and 801(d)(2)(D), and because, even if hearsay, it is subject to the residual hearsay exception under FRE 807. Opp. 12–14. Patent Owner argues that Dr. Katz’s admissions as to what was in the prior art are irrelevant to a § 101 analysis because “[s]omething can be in the prior art for §§ 102 and/or 103 purposes but not be well-known, routine, and conventional.” Paper 29, 4.

We agree with Petitioner that Dr. Katz’s testimony is not hearsay because it was offered against an opposing party, is one that Patent Owner adopted or believed to be true, and was made by a person, Dr. Katz, whom Patent Owner authorized to make a statement on the subject. FRE 801(d)(2)(C), 801(d)(2)(D). We are, therefore, not persuaded that this testimony should be excluded.

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ORDER

Accordingly, it is:

ORDERED that claims 3–10, 15–31, and 33 of the '221 patent are determined to be *unpatentable*;

FURTHER ORDERED that Patent Owner's motions to exclude are *denied*;

FURTHER ORDERED that CBM2015-00126 is consolidated with CBM2015-00130;

FURTHER ORDERED that CBM2015-00126 is terminated under 37 C.F.R. § 42.72, and all further filings in the consolidated proceeding are to be made in CBM2015-00130;

FURTHER ORDERED that a copy of this Decision will be entered into the record of CBM2015-00126 and CBM2015-00130;

FURTHER ORDERED that the case caption in CBM2014-00126 shall be changed to reflect consolidation with this proceeding in accordance with the caption above;

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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