

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2015-00131
Patent 8,061,598 B2

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

CLEMENTS, *Administrative Patent Judge.*

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

INTRODUCTION

A. Background

Petitioner, Apple Inc. (“Petitioner”), filed a Petition to institute covered business method patent review of claims 3–6, 8–14, 16–30, and 32–41 of U.S. Patent No. 8,061,598 B2 (Ex. 1001, “the ’598 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”). Paper 1 (“Pet.”).¹ Smartflash LLC (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 324(a), 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. We further determine that Petitioner has demonstrated that it is more likely than not that the challenged claims are unpatentable. We further determine that Apple is estopped from challenging claim 26 in this proceeding. Accordingly, we institute a covered business method patent review of claims 3–6, 8–14, 16–25, 27–30, and 32–41 (the “challenged claims”), but not of claim 26 of the ’598 patent, as discussed below.

B. Asserted Ground

Petitioner contends that claims 3–6, 8–14, 16–30, and 32–41 are unpatentable under 35 U.S.C. § 101 as being directed to patent-ineligible

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

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subject matter. Pet. 1. Petitioner provides a declaration from John P.J. Kelly, Ph.D. to support its challenges. Ex. 1019 (“the Kelly Declaration”).

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. 6:15-cv-145 (E.D. Tex.); *Smartflash LLC v. Google, Inc.*, Case No. 6:14-cv-435 (E.D. Tex.); *Smartflash LLC v. Apple Inc.*, Case No. 6:13-cv-447 (E.D. Tex.); *Smartflash LLC v. Samsung Electronics Co. Ltd.*, Case No. 6:13-cv-448 (E.D. Tex.); and *Smartflash LLC v. Amazon.Com, Inc.*, Case No. 6:14-cv-992 (E.D. Tex.). Pet. 37; Paper 5, 4–5.

Petitioner previously has filed three petitions requesting covered business method patent review of the ’598 patent: CBM2014-00108; CBM2014-00109 (consolidated with CBM2014-00108); and CBM2015-00017. Pet. 37. A final written decision has issued in CBM2015-00108, determining claim 26 of the ’598 patent is unpatentable pursuant to 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, slip op. at 25 (PTAB Sept. 25, 2015) (Paper 50). Trial was instituted in CBM2015-00017 with respect to claims 1, 2, 15, and 31 under 35 U.S.C. § 101. *Apple Inc. v. Smartflash LLC*, Case CBM2015-00017, slip op. at 20 (PTAB Apr. 10, 2015) (Paper 22).

Apple and other Petitioners have filed additional petitions requesting covered business method patent reviews of related patents. *See* Pet. 38; Paper 5, 2–4.

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, 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. Illustrative Claim

Petitioner challenges claims 3–6, 8–14, 16–30, and 32–41 of the ’598 patent. Claims 18, 21, 26, 27, 29, 35, 39, 40, and 41 are independent. Claims 3–6, 8–14, 16, and 17 depend directly or indirectly from claim 1. Claims 19 and 20 depend from claim 18. Claims 22–25 depend directly or indirectly from claim 21. Claim 28 depends from claim 27. Claim 30 depends from claim 29. Claims 32–34 depend directly or indirectly from

claim 31. Claims 36–38 depend from claim 35. Claim 8 is illustrative of the claimed subject matter and is reproduced below:

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.

Ex. 1001, 26:25–28.

8. A portable data carrier as claimed in claim 7, wherein code to provide payment to the payment validation system comprises code to provide the identification data identifying the user of the portable data carrier to the payment validation system.

Ex. 1001, 26:29–33.

ANALYSIS

A. *Estoppel*

35 U.S.C. § 325(e)(1) mandates that

[t]he petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a) or the real party in interest or privy of the

petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

As noted above, we issued a final written decision in CBM2014-00108, determining that claim 26 of the '598 patent is unpatentable pursuant to 35 U.S.C. § 103. *Apple Inc. v. Smartflash LLC*, Case CBM2014-00108, Slip Op. at 25 (PTAB Sept. 25, 2015) (Paper 50). Apple was the petitioner in CBM2014-00108, which resulted in a final written decision with respect to claim 26. Thus, pursuant to § 325(e)(1), Apple cannot “request or maintain” a proceeding before the Office with respect to [this claim] “on any ground” that Apple “raised or reasonably could have raised” during CBM2014-00108.

Apple is estopped from maintaining a proceeding with respect to claim 26 based on § 101. Section 325(e)(1) estops Apple from filing or maintaining a proceeding before the Office with respect to the claim at issue on “*any ground* that [Apple] raised or reasonably could have raised.” (Emphasis added). The Supreme Court issued its decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014) after Apple filed its petition in CBM2014-00108. Section 325(e)(1), however, does not make exceptions for intervening case law that clarifies jurisprudence. Here, Apple “reasonably could have raised” a challenge to claim 26 of the '598 patent based on § 101 in its CBM2014-00108/CBM2014-00109 petitions. Thus, § 325(e)(1) is applicable to this claim.

Because Apple is estopped from maintaining a proceeding with respect to claim 26 based on any ground it “reasonably could have raised” in

its earlier petitions, we deny a covered business method patent review of claim 26 pursuant to § 101 in the present proceeding.

B. 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 '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 determine that "payment data" is the only term requiring an express construction in order to conduct properly our analysis.

Apple asserts that "[f]or review purposes, [payment data] should be construed to mean 'data representing payment made for requested content data' and is distinct from 'access control data.'" Pet. 41.

The plain and ordinary meaning of the two words that make up the term—"payment" and "data"—do not incorporate any notion of time and nothing about their combination changes that determination. As used in the '598 patent, "payment data" encompasses data relating to *future, current, and past* payments. For example, the '598 patent states that "payment data for making a payment to the system owner is received from the smart Flash card by the content access terminal and forwarded to an e-payment system." 1001, 20:59–62. This language indicates that payment data exists *prior to* the payment being made for the requested content. The '598 patent also explains that "payment data received may either be data relating to an actual payment made to the data supplier, or it may be a record of a payment made

to an e-payment system.” *Id.* at 6:60–63. This indicates that “payment data,” includes data for payments that have *already been made*.

Moreover, the plain and ordinary meaning of data does not implicate changes in character based on when it is used in a transaction. For example, a credit card number may qualify as “data relating to payment” before the number is processed, while the number is being processed, and after the number is processed. See Ex. 1014, 232:14–24 (providing credit or debit card information to a retail terminal). Thus, without an express description to the contrary, we presume that “payment data” retains the same meaning before, during, and after the payment operation. Neither party points to any such contrary description. In fact, the ’598 patent describes “payment data” in several instances as data relating to payment for the requested data item. Ex. 1001, 10:8–9, 10:28–30, 10:48–49.

For purposes of this decision, we determine that the broadest reasonable interpretation of “payment data” as used in the ’598 patent is “data relating to payment for the requested data item.”

C. 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

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Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (“CBM Rules”) (Comment 8).

We previously have determined that the ’598 patent is a “covered business method patent.” *See, e.g.*, CBM2014-00108, Paper 8, 7–12 (determining that the ’598 patent is eligible for covered business method patent reviewed based on claim 7). In this case, Apple asserts that claim 8 qualifies the ’598 patent for covered business method patent review. Pet. 23.

1. Financial Product or Service

Petitioner asserts that claim 8 “clearly concerns a system (corresponding to the methods discussed and claimed elsewhere) for performing data processing and other operations used in the practice, administration, or management of a financial activity and service.” Pet. 27. Based on this record, we agree with Petitioner that the subject matter recited by claim 8 is directed to activities that are financial in nature, namely data access conditioned on payment validation. Claim 8 (through its dependence from claim 7) requires “code to provide payment data to a payment validation system” and further comprises “code to provide the identification data identifying the user of the portable data carrier to the payment validation system.” The transfer of data relating to payment and providing data in response to data relating to payment are financial activities, and providing for such transfers amounts to a financial service. This is consistent with the Specification of the ’598 patent, which confirms claim 8’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.

Patent Owner disagrees that claim 8 satisfies the financial in nature requirement of AIA § 18(d)(1), arguing that that section should be

interpreted narrowly to cover only technology used specifically in the financial or banking industry. Prelim. Resp. 35–40. Patent Owner cites to various portions of the legislative history as support for its proposed interpretation. *Id.*

The Federal Circuit has expressly determined, however, that “the definition of ‘covered business method patent’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions, such as banks and brokerage houses.” *Versata Dev. Grp., Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1325 (Fed. Cir. 2015). Rather, “it covers a wide range of finance-related activities.” *Id.* Further, contrary to Patent Owner’s view of the legislative history, the legislative history overall 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 8 is not directed to an apparatus or method that is financial in nature because claim 8 “omits the specifics of how payment is made.” Prelim. Resp. 39. We are not persuaded by this argument because § 18(d)(1) of the AIA does not include such a requirement, nor does Patent Owner point to any other authority that makes such a requirement. *Id.* We determine that because claim 8 recites

“payment,” as Patent Owner acknowledges (*id.*), 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 8 does not fall within § 18(d)(1)'s exclusion for “technological inventions.” Pet. 30–36. In particular, Petitioner argues that claim 8 “does not claim ‘subject matter as a whole [that] recites a technological feature that is novel and unobvious over the prior art[] and solves a technical problem using a technical solution.’” Pet. 27 (quoting 37 C.F.R. § 42.301(b)).

We are persuaded that claim 8 as a whole does not recite a technological feature that is novel and unobvious over the prior art. 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” (Ex. 1001, 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). For example, the '598 patent provides the example of a “smart Flash card” for a data carrier, referring to “the ISO (International Standards Organization) series of standards, including ISO 7810, ISO 7811, ISO 7812, ISO 7813, ISO 7816, ISO 9992 and ISO 10102” (*id.* at 17:6–8, 11–15) for further details on smart cards. Thus, we determine that claim 8 recites

merely known technological features, 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 8 falls within § 18(d)(1)'s exclusion for “technological inventions” because it is directed towards 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. 40–41 (quoting claim 8). We are not persuaded by this argument because, as Petitioner argues, the problem being solved by claim 8 is a business problem—data piracy. Pet. 34. For example, the Specification states that “[b]inding the data access and payment together allows the legitimate owners of the data to make the data available themselves over the internet without fear of loss of revenue, thus undermining the position of data pirates.” Ex. 1001, 2:11–15. Therefore, based on the particular facts of this proceeding, we conclude that claim 8 does not recite a technological invention.

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 under the transitional covered business method patent program.

D. Section 101 Patent-Eligible Subject Matter

Petitioner challenges claims 3–6, 8–14, 16–25, 27–30, and 32–41 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 43–79. Petitioner asserts that the challenged claims are directed to an abstract

idea without additional elements that transform it into a patent-eligible application of that idea (*id.* at 45–75), triggers preemption concerns (*id.* at 76–78), and fails the machine-or-transformation test (*id.* at 78–79).

Patent Owner disagrees, arguing that the limitations of each of the challenged claims, taken as a combination, “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea” (Prelim. Resp. 14 (quoting Ex. 2049, 19)), and that the claims do not result in inappropriate preemption (*id.* at 15–26). Patent Owner also asserts that (1) section 101 is not a ground that may be raised in a covered business method patent review (*id.* at 30–32); (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 32–33); and (3) invalidating patent claims via covered business method patent review is unconstitutional (*id.* at 33–34).

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, 713–14 (Fed. Cir. 2014). Here, each of the challenged claims recites either a “machine”—i.e., a “portable data carrier” (claims 3–6, 8–14, 16–25, 27–30) or a “data access terminal” (claims 39–41)—or a “process,”—i.e., a “method” (claims 32–38)—under § 101. Section 101, however, “contains an important implicit exception to subject matter eligibility: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 134 S.Ct. at 2354 (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*, 132 S.Ct. 1289, 1293 (2012) “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of these concepts.” *Alice*, 134 S.Ct. at 2355. The first step in the analysis is to “determine whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.*

Petitioner argues that the challenged claims are directed to the abstract idea of “payment for and/or controlling access to data.” Pet. 45. Patent Owner does not dispute that the challenged claims are directed to an abstract idea. *See* Prelim. Resp. 11–26.

We are persuaded that the challenged claims are more likely than not drawn to a patent-ineligible abstract idea. As discussed above, the ’598 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’598 patent proposes to solve this problem by restricting access to data on a device based upon satisfaction of use rules linked to payment data. *Id.* at 9:7–25. The ’598 patent makes clear that the heart of the claimed subject matter is restricting access to stored data based on supplier-defined access rules and payment data. *Id.* at 1:59–2:15, Abstract. We are, thus, persuaded, on this record, that the claimed subject matter is directed to an abstract idea. *See Alice*, 134 S.Ct. at 2356 (holding that the concept of intermediated settlement at issue in *Alice* was an abstract idea); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1344 (Fed. Cir. 2013) (holding the abstract idea at the heart of a

system claim to be “generating tasks [based on] rules . . . to be completed upon the occurrence of an event”).

2. *Inventive Concept*

Turning to the second step of the analysis, we look for additional elements that can “transform the nature of the claim” into a patent-eligible application of an abstract idea. *Mayo*, 132 S.Ct. at 1297. On this record, we are not persuaded that the challenged claims of the ’598 patent add an inventive concept sufficient to ensure that the patent in practice amounts to significantly more than a patent on the abstract idea itself. *Alice*, 134 S.Ct. at 2355; *see also Accenture Global Servs.*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

Patent Owner argues that the challenged claims are patentable because they “recite specific ways of using distinct memories, data types, and use rules that amount[s] to significantly more than the underlying abstract idea.” Prelim. Resp. 14 (quoting Ex. 2049, 19). Patent Owner, however, does not elaborate as to how these claim limitations amount to significantly more than the underlying abstract idea.

The Specification, as discussed above, treats as well-known all potentially technical aspects of the claim, including “program store” and “payment validation system” limitations recited in the challenged claims. For example, the Specification states that the payment validation system “may be part of the data supplier’s computer systems or it may be a separate system such as an e-payment system.” Ex. 1001, 8:23–25; *see id.* at 8:63–65. Further, with respect to the recited program store, the Specification

discloses that “[t]he data storage means is based on a standard smart card.” *Id.* at 11:28–29; *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 use of a program store and the linkage of existing hardware devices to existing payment validation processes appear to be “‘well-understood, routine, conventional activit[ies]’ previously known to the industry.” *Alice*, 134 S. Ct. at 2359; *Mayo*, 132 S. Ct. at 1294.

Patent Owner also asserts that the challenged claims are like those in *DDR Holdings*, which the Federal Circuit held were 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.’” Prelim. Resp. 13 (quoting *DDR Holdings, LLC v. Hotels.Com, LP.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). According to Patent Owner, the challenged claims are “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks—that of digital data piracy,” “‘a challenge particular to the Internet.’” Prelim. Resp. 13 (quoting *DDR Holdings*, 773 F.3d at 1257).

We are not persuaded that the challenged claims are like those at issue in *DDR Holdings*. In *DDR Holdings*, the Federal Circuit found that the challenged claims were directed to patentable subject matter because they “specif[ied] how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional aspects of the technology.” 773 F.3d at 1258. We are not persuaded that the

challenged claims specify interactions that depart from the routine use of the recited devices. Instead, we determine, based on the current record, that the claims merely apply conventional computer processes to restrict access to data based on payment.

The differences between the challenged claims and those at issue in *DDR Holdings* are made clear by comparing the challenged claims of the '598 patent to claim 19 of the patent at issue in *DDR Holdings*. For example, claim 2 of the '598 patent recites “code to provide access to the at least one content data item in accordance with the at least one use rule.” There is no language in this claim, in any of the other challenged claims, or in the specification of the '598 patent, that demonstrates that the generic computer components—“code to provide access” and “content data item” and “use rule”—function in an unconventional manner or employ sufficiently specific programming. Instead, the “code to provide access,” “content data item,” and “use rule” 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.” *Ultramercial*, 772 F.3d at 716.

In *DDR Holdings*, exemplary claim 19 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.” Prelim. Resp. 12. It was this limitation from claim 19 in *DDR Holdings*, according to the Federal Circuit, that specifies “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.” 773 F.3d at 1258. 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.* We are persuaded, at this point in the proceeding, that the challenged claims are closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*. The claims at issue in *Ultramercial*, like the challenged claims of the ’598 patent, were also directed to a method for distributing media products. Similar to restricting data based on payment, as in the challenged claims, the *Ultramercial* claims restricted access based on viewing an advertisement. *Ultramercial*, 772 F.3d at 712.

Thus, on this record, we are persuaded that Apple has shown that it is more likely than not that the challenged claims—claims 3–6, 8–14, 16–25, 27–30, and 32–41—of the ’598 patent 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*, 728 F.3d at 1345 (holding claims directed to the abstract idea of “generating tasks [based on] rules . . . to be completed upon the occurrence of an event” to be unpatentable even when applied in a computer environment and within the insurance industry).

3. Preemption

Petitioner argues that “the challenged claims’ attempt to achieve broad functional coverage—with no relative contribution from the named inventors—firmly triggers preemption concerns.” Pet. 76. Patent Owner

responds that the challenged claims do not result in inappropriate preemption. Prelim. Resp. 15–26. According to Patent Owner, the challenged claims of the '598 patent recite “specific ways of managing access to digital content data based on payment validation through storage and retrieval of use status data and use rules in distinct memory types and evaluating the use data according to use rules.” *Id.* at 18 (quoting Ex. 2049, 20). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the claims of the '598 patent do not raise preemption concerns. *Id.* at 21–26.

Patent Owner’s preemption argument does not alter our § 101 analysis. The Supreme Court has described the “pre-emption concern” as “undergird[ing] our § 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. 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. 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; *see also Alice*, 134 S.Ct. at 2358; *Mayo*, 132 S.Ct. at 1303; *Bilski v. Kappos*, 561 U.S. 593, 612 (2010); *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. Patent Owner argues that *Ariosa* does not apply here because the claims and facts are distinguishable. Prelim. Resp. 23–26. Although the facts and claims in this case certainly differ from those in *Ariosa*, we are not persuaded by Patent Owner's arguments that the general principle described by the Federal Circuit in that case does not apply here.

As described above, after applying this two-part test, we are persuaded that Petitioner has shown that it is more likely than not that the challenged claims of the '598 patent are drawn to an abstract idea that does

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

4. *Patent Owner's Other Arguments*

Patent Owner also asserts that (1) section 101 is not a ground that may be raised in a covered business method patent review (*id.* at 30–32); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 32–33); and (3) invalidating patent claims via covered business method patent review is unconstitutional (*id.* at 33–34). For the following reasons, we are not persuaded by these arguments.

As an initial matter, 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.” *Id.* at 37 n.1 (quoting *Versata Dev. Grp.*, 793 F.3d at 1330). We conclude that our review of the issue of § 101 here is proper. As to Patent Owner’s second argument, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the challenged 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.” Prelim. Resp. 32.

We decline to consider Petitioner’s constitutional challenge as, generally, “administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.” *See Riggin v. Office of*

Senate Fair Employment Practices, 61 F.3d 1563, 1569 (Fed. Cir. 1995); *see also Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d 1705, 1999 WL 375907, at *4 (TTAB Apr. 2, 1999) (“[T]he Board has no authority . . . to declare provisions of the Trademark Act unconstitutional.”); *Blackhorse v. Pro-Football, Inc.*, 111 U.S.P.Q.2d 1080, 2014 WL 2757516, at *1 n.1 (TTAB June 18, 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”).

5. Conclusion

Having considered the information provided in the Petition and the Preliminary Response, we are persuaded that Petitioner has demonstrated that it is more likely than not that the challenged claims of the ’598 patent—claims 3–6, 8–14, 16–25, 27–30, and 32–41—are unpatentable under 35 U.S.C. § 101.

CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Apple would prevail in establishing the unpatentability of claims 3–6, 8–14, 16–25, 27–30, and 32–41 of the ’598 patent.

The Board has not made a final determination on the patentability of any challenged claims.

ORDER

For the reasons given, it is:

ORDERED that a covered business method patent review is instituted on the ground that claims 3–6, 8–14, 16–25, 27–30, and 32–41 of the '598 patent are patent ineligible under 35 U.S.C. § 101;

FURTHER ORDERED that a covered business method patent review is denied as to claim 26; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, notice is hereby given of the institution of a trial; the trial commencing on the entry date of this Order.

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