

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAMSUNG ELECTRONICS AMERICA, INC., and
SAMSUNG ELECTRONICS CO., LTD.,
Petitioner

and

APPLE INC.,
Petitioner,

v.

SMARTFLASH LLC,
Patent Owner.

Case CBM2014-00192¹
Patent 8,033,458 B2

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

PLENZLER, *Administrative Patent Judge.*

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

¹ CBM2015-00119 (Patent 8,033,458 B2) has been consolidated with this proceeding.

INTRODUCTION

A. Background

Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Samsung Telecommunications America, LLC (“Samsung”)² filed a Petition to institute covered business method patent review of claim 11 (the “challenged claim”) of U.S. Patent No. 8,033,458 B2 (Ex. 1001, “the ’458 patent”) pursuant to § 18 of the Leahy-Smith America Invents Act (“AIA”).³ Paper 2 (“Pet.”). On April 2, 2015, we instituted a transitional covered business method patent review (Paper 7, “Institution Decision” or “Inst. Dec.”) based upon Petitioner’s assertion that claim 11 is directed to patent ineligible subject matter under 35 U.S.C. § 101. Inst. Dec. 18.

On April 30, 2015, Apple Inc. (“Apple”) filed a Petition to institute covered business method patent review of claim 11 of the ’458 patent based on the same ground. CBM2015-00119 (Paper 2, “Apple Pet.”). Apple simultaneously filed a “Motion for Joinder” of their newly filed case with Samsung’s previously instituted case. CBM2015-00119 (Paper 3, “Apple Mot.”). On August 6, 2015, we granted Apple’s Petition and consolidated the two proceedings.⁴ Paper 29; CBM2015-00119, Paper 11.

Subsequent to institution, Smartflash LLC (“Patent Owner”) filed a Patent Owner Response (Paper 21, “PO Resp.”)⁵ and Samsung and Apple

² Samsung Telecommunications America, LLC, a petitioner at the time of filing, merged with and into Samsung Electronics America, Inc. as of January 1, 2015. Paper 6.

³ Pub. L. No. 112-29, 125 Stat. 284, 296–07 (2011).

⁴ For purposes of this decision, we will cite only to Samsung’s Petition.

⁵ Paper 21 is the redacted version of the Patent Owner Response. Paper 20 is the unredacted version of that Response.

(collectively, “Petitioner”) filed a Reply (Paper 28, “Pet. Reply”) to Patent Owner’s Response.

An oral hearing was held on November 9, 2015, and a transcript of the hearing is included in the record. Paper 43 (“Tr.”).

We have jurisdiction under 35 U.S.C. § 6(c). 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 claim 11 of the ’458 patent is directed to patent ineligible subject matter under 35 U.S.C. § 101.

B. The ’458 Patent

The ’458 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 ’458 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 '458 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 25:49–52 (“The skilled person will understand that many variants to the system are possible and the invention is not limited to the described embodiments.”).

C. Challenged Claims

Petitioner challenges claim 11, which depends from independent claim 6. Claims 6 and 11 are reproduced below:

6. 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 27:8–23.

11. A data access device according to claim 6 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.

Id. at 28:14–18.

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 '458 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 claim 11 as directed to patent-ineligible subject matter under 35 U.S.C. § 101. Pet. 19–35. Petitioner submitted a declaration from Jeffrey Bloom, Ph.D. in support of its Petition. Ex. 1003 (“Bloom declaration”)⁶.

Patent Owner contends that the challenged claims are patent-eligible.

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

⁶ In its Response, Patent Owner argues that the Bloom declaration should be given little or no weight. PO Resp. 3–6. Because Patent Owner has filed a Motion to Exclude that includes a request to exclude the Bloom 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, discussed below.

matter.” *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 713–14 (Fed. Cir. 2014). Here, the challenged claim recites a “machine,” i.e., a “data access device.” Section 101, however, “contains an important implicit exception [to subject matter eligibility]: Laws of nature, 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 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.*

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 Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015) (citations omitted).

Petitioner argues that the challenged claim is directed to the abstract idea of “regulating authorized use of information.” Pet. 22. Although Patent Owner does not concede, in its brief, that the challenged claims are directed to an abstract idea, it does not persuasively explain how the claimed subject matter escapes this classification. PO Resp. 9–25; *see also* Tr. 46:21–47:11 (Patent Owner arguing that the challenged claims are not abstract ideas, but conceding this argument was not made in the briefs).

We agree that the challenged claim is drawn to a patent-ineligible abstract idea. Specifically, the challenged claim is directed to conditioning and controlling access to content (which is analogous to the characterization of the abstract idea proposed by Petitioner). For example, claim 6 (from which claim 11 depends) recites “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” and

claim 11 recites “code to write partial use status data” and that “wherein said use rules permit partial use of a data item.”⁷

As discussed above, the ’458 patent discusses addressing recording industry concerns of data pirates offering unauthorized access to widely available compressed audio recordings. Ex. 1001, 1:20–55. The ’458 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 ’458 patent makes clear that the claimed subject matter is directed to paying for data and providing access to data. *See id.* at 2:20–23 (“This invention is . . . particularly . . . relate[d] . . . to computer systems for providing access to data.”). Although the specification discusses data piracy on the Internet (*see id.* at 1:29–39), the challenged claims are not limited to the Internet. The underlying concept of the challenged claims, particularly when viewed in light of the ’458 patent specification, is controlling access to content, 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.

We are, thus, persuaded, based on the ’458 patent specification and the language of the challenged claim, that claim 11 is directed to an abstract idea. *See Alice*, 134 S. Ct. at 2356 (holding that the concept of

⁷ Although our final decision in CBM2015-00016 determined claim 11 to be indefinite, that determination does not prevent us from determining whether claim 11 is patent-eligible under § 101. For example, the determination that claim 11 is indefinite was based on the uncertainty as to whether “said use rules” in claim 11 refers to the “use rule data” recited in claim 6 or a new “use rule” limitation. Neither interpretation saves the claim from being directed to an abstract idea. Nor does either interpretation involve an inventive concept, as discussed below.

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 “[t]he claims of the ’458 patent . . . cover nothing more than the basic financial idea of enabling limited use of paid for and/or licensed content using ‘conventional’ computer systems and components.” Pet. Reply 11 (quoting Ex. 1003 ¶ 126). Petitioner persuades us that claim 11 of the ’458 patent 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. *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 Petitioner’s rationale that the additional elements of the challenged claims are generic features of a computer that do not bring the challenged claim within § 101 patent eligibility. Pet. 23–29; Pet. Reply 11–20.

a. Technical Elements

Petitioner argues that the challenged claim is unpatentable because it is directed to an abstract idea and any technical elements it recites are repeatedly described by the ’458 patent itself as “both ‘conventional’ and as being used ‘in a conventional manner.’” Pet. 23 (citing Ex. 1001, 4:4–5, 16:46–49, 21:33–38)). Patent Owner disagrees, arguing that the challenged claim is patentable because it “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. 15–16 (quoting Ex. 2049, 19). We agree with Petitioner for the following reasons.

The specification of the ’458 patent treats as well-known all potentially technical aspects of the claims, which simply require generic computer components (e.g., interfaces, program store, and processor). The linkage of existing hardware devices to existing supplier-defined access rules 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.

Further, the claimed computer code simply performs generic computer functions, such as retrieving, accessing, evaluating, and writing. *See* Pet. 23–29. The recitation of these generic computer functions is insufficient to confer specificity. *See Content Extraction and Transmission LLC v. Wells Fargo Bank*, 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 claim 11 “recite[s] specific ways of using distinct memories, data types, and use rules that amount to significantly more than the underlying abstract idea.” *See* PO Resp. 15. The challenged claim does not recite any particular or “distinct memories.” To the extent Patent Owner argues that the claimed “program store” recited in claim 6 is a memory, Patent Owner does not provide any argument as to how it is constructed or implemented in an unconventional manner. Moreover, the challenged claim lists several generic data types, such as “use status data,” “use rules data,” and “code.” We are not persuaded that the listing of these data types, by itself, amounts to significantly more than the underlying abstract idea. Patent Owner does not point to any inventive concept in the ’458 patent related to the way these data types are constructed or used. The recitation of generic 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). In addition, the '458 patent simply recites data types with no description of the underlying implementation or programming that results in these data types. *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.”).

In addition, because the recited elements can be implemented on a general purpose computer, the challenged claim does not cover a “particular machine.” Pet. 31–33; *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 claim does not transform an article into a different state of thing. Pet. 33–35.

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.

To the extent Patent Owner argues that the challenged claim includes an “inventive concept” because of the specific combination of elements in the challenged claim, we disagree. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “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,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

PO Resp. 11. Patent Owner further contends that “the claimed data access terminals enable the tracking of partial use of a stored data item (e.g., so that the rest can be used/played back later)” and

[b]y comparison, unlike a system that uses use rules/use status data as claimed, when a DVD was physically rented for a rental period, there was no mechanism to write partial use status data to the DVD when only part of the DVD had been accessed (e.g., to track whether a renter had “finished with” the DVD yet).

Id.

The concept of storing two different types of information 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. That Patent Owner alleges 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 storage device does not alter our determination. 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 the content and conditions for providing access to the content.⁸ *See, e.g.*, Pet. 40–41 (citing Ex. 1004, Abstract (describing a transportable unit storing both content and a control processor for controller access to that content)); Pet. 46 (citing Ex. 1005,

⁸ We have already determined in a final written decision on the ’458 patent, addressing claim 6 from which claim 11 depends, that the concept of combining the content and conditions for providing access to the content on the same device was known. *See* Case CBM2015-00016, Paper 56, 13–14.

6:58–61 (“Among other things, repositories are used to store digital works, control access to digital works, bill for access to digital works and maintain the security and integrity of the system); *see also* Ex. 1005, 18:9–16 (“Defining usage rights in terms of a language **in combination with** the hierarchical representation of a digital work enables the support of a wide variety of distribution and fee schemes. An example is the ability to attach multiple versions of a right to a work. So a creator may attach a PRINT right to make 5 copies for \$10.00 and a PRINT right to make unlimited copies for \$100.00. A purchaser may then choose which option best fits his needs.”). To the extent Patent Owner argues that the challenged claim covers 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., “track[ing] whether a renter had ‘finished with’ the DVD yet” (PO Resp. 11)), we remain unpersuaded that the claim recites an inventive concept. 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.

b. DDR Holdings

Relying on the Federal Circuit’s decision in *DDR Holdings*, Patent Owner asserts that the challenged claim is directed to statutory subject matter because “the claims are rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” PO Resp. 12 (quoting *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014)). Patent Owner contends that the challenged

claim is “directed to particular devices that can download and store digital content into a data carrier.” *Id.* at 11. Patent Owner contends that

[b]y using a system that combines on the data carrier both the digital content and use rules/use status data, and by using “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,” access control to the digital content can be continuously enforced prior to access to the digital content, allowing subsequent use (e.g., playback) of the digital content to be portable and disconnected.

Id.

Petitioner responds that the challenged claim is distinguishable from the claims in *DDR Holdings*. Pet. Reply 18–20. 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 with Petitioner that the challenged claim is 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—that of digital data piracy” and “address . . . a challenge particular to the Internet.” PO Resp. 12. Data piracy exists in contexts other than the Internet. *See* Pet. Reply 16–17 (identifying other contexts in which data piracy is a problem). For example, potential data piracy of CDs is addressed by copyright protection. *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 claim is not rooted in specific computer technology. *See* Pet. Reply 14–16.

Even accepting Patent Owner’s assertion that the challenged claim addresses data piracy on the Internet (PO Resp. 11), we are not persuaded that it does 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 claim and the claim at issue in *DDR Holdings* are made clear by Patent Owner in its tables mapping claims 6 and 11 of the '458 patent to claim 19 of the patent at issue in *DDR Holdings*. PO Resp. 13–15. Patent Owner compares the limitation highlighted by the Federal Circuit in *DDR Holdings* with the “code to access the stored data when access is permitted” in claim 6.⁹ *Id.* Patent Owner, however, fails to identify how this limitation in claim 6 is analogous to the corresponding *DDR Holdings* limitation. Unlike the claims in *DDR Holdings*, this limitation, like all the other limitations of the challenged claim, is “specified at a high level of generality,” which the Federal Circuit has found to be “insufficient to supply an ‘inventive concept.’” *Ulramercial*, 772 F.3d at 716. The limitations of the challenged claim 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).

The challenged claim is like the claims at issue in *Ulramercial*. The *Ulramercial* claims condition and control access based on viewing an advertisement. 772 F.3d at 712. Similar to the claims in *Ulramercial*, the majority of limitations in the challenged claim comprise this abstract concept of conditioning and controlling access to data. *See id.* at 715. Adding routine, additional steps such as accessing stored data when access is permitted does not transform an otherwise abstract idea into patent-eligible subject matter. *See id.* at 716 (“Adding routine additional steps such as

⁹ Patent Owner does not identify any of the additional features specifically recited in claim 11 as corresponding to the limitation from *DDR Holdings*.

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 claim is closer to the claims at issue in *Ultramercial* than to those at issue in *DDR Holdings*.

c. Preemption

Petitioner argues that “claim 11 of the ’458 patent preempts all effective uses of the abstract idea of regulating authorized use of information.” Pet. 29. Patent Owner responds that the challenged claim does not result in inappropriate preemption. PO Resp. 18–24. According to Patent Owner, the challenged claim does not attempt to preempt every application of the idea, but rather recites a ““specific way . . . that incorporates elements from multiple sources in order to solve a problem faced by [servers] on the Internet.”” *Id.* at 19 (citing *DDR Holdings*, 773 F.3d at 1259). Patent Owner also asserts that the existence of a large number of non-infringing alternatives shows that the challenged claim does not raise preemption concerns. *Id.* at 20–24.

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* Pet. Reply 20–24 (arguing that Patent Owner’s position regarding non-infringement and existence of non-infringing alternatives to the challenged claim are 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 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.

d. 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 with Patent Owner (PO Resp. 25–26); and (2) the Office is estopped from revisiting the issue of § 101, which was inherently reviewed during examination (*id.* at 26–27).

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). Moreover, Patent Owner does not provide any authority for its assertion that “[t]he question of whether the 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. 26.

3. *Conclusion*

For all of the foregoing reasons, we are persuaded that Petitioner has established, by a preponderance of the evidence, that claim 11 of the '458 patent is unpatentable under § 101.

C. Petitioner's Motion to Exclude

Petitioner seeks to exclude portions of Exhibits 2056 and 2057, the cross-examination testimony of Dr. Jeffrey Bloom as submitted by Patent Owner. Paper 35, 3–4. As movant, Petitioner 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, Petitioner's Motion to Exclude is *denied*.

Petitioner seeks to exclude Dr. Bloom's cross-examination testimony recorded in Exhibit 2056 at 179:1–20 and in Exhibit 2057 at 193:17–194:8 and 195:5–16 as (1) irrelevant under Federal Rules of Evidence ("FRE") 401 and 402 (Paper 35, 4–6); and (2) outside the scope of direct examination under FRE 611(b) (*id.* at 7–8). Petitioner argues that this testimony, all directed to the workings of a product offered by Dr. Bloom's employer, is "unrelated to the instant CBM proceeding" and "is of no consequence to the validity of the patent claims at issue." *Id.* at 4. Petitioner adds that "during its direct examination of Dr. Bloom, [Petitioner] never opened [the] door to such questions." *Id.* at 8.

We are not persuaded by Petitioner's argument. Patent Owner proffered this particular testimony not for purposes of showing validity of the patent claims at issue, but for purposes of challenging the credibility of Petitioner's expert. Although we were not persuaded by this evidence, we did consider it for the purpose of deciding the issue of credibility. We, therefore, decline to exclude this testimony under FRE 401, 402, or 611(b).

In addition, Petitioner seeks to exclude the excerpts of testimony from Exhibit 2057 as lacking proper foundation under FRE 701 and 702. *Id.* at 6–7. Petitioner argues that in these excerpts, Patent Owner attempted to solicit testimonies from Dr. Bloom regarding operation of a SiriusXM Internet Radio product and that Patent Owner “further asserted that . . . ‘Dr. Bloom refused to testify about its operation alleging the information was confidential.’” *Id.* at 6. According to Petitioner, because “Dr. Bloom has not been advanced as an expert with regard to subscription-based business practice of a third-party company” and “no foundation has been laid with regard to Dr. Bloom’s personal knowledge of such subscription-based business practice,” this testimony should be excluded under FRE 701 and 702. *Id.* at 6–7.

We also are not persuaded by this argument. Petitioner does not explain, for example, why Rules 701 and 702 apply to the excerpts at issue. It is unclear that Dr. Bloom was being asked for his opinion, either expert or otherwise, with these questions. Instead, it appears that he was being questioned as a fact witness. Moreover, as explained by Petitioner, the cross-examination did not actually elicit *any* substantive responses, let alone opinion, from Dr. Bloom. *Id.* at 6. We, therefore, decline to exclude this testimony under FRE 701 or 702.

D. Patent Owner’s Motion to Exclude

Patent Owner seeks to exclude Exhibits 1003, 1004, 1005, 1006, 1028, and 1039. Paper 31, 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*.

Exhibit 1003

Patent Owner seeks to exclude the entirety of Dr. Bloom's testimony in Exhibit 1003 and additionally seeks to exclude specific paragraphs under various Board and Evidentiary rules. Paper 31, 1–10. First, Patent Owner seeks to exclude Exhibit 1003 in its entirety as not disclosing the underlying facts or data on which the opinions contains are based as required by 37 C.F.R. § 42.54(a). *Id.* at 2. According to Patent Owner, this is because Dr. Bloom's declaration "does not state the relative evidentiary weight (e.g., substantial evidence versus preponderance of the evidence) used by Dr. Bloom in arriving at his conclusions." *Id.* Patent Owner also seeks to exclude this testimony under FRE 702 because "the Board cannot assess under FRE 702 whether Dr. Bloom's opinion testimony is 'based on sufficient facts or data,' is 'the product of reliable principles and methods,' or if Dr. Bloom 'reliably applied the principles and methods to the facts of the case.'" *Id.* at 3–4.

Petitioner counters that, consistent with the requirements of 37 C.F.R. § 42.65, "Dr. Bloom's testimony disclosed underlying facts and data upon which his opinions were based." Paper 38, 4. Petitioner also argues that experts are not required to recite the "preponderance of the evidence" standard expressly. *Id.* at 3–4 (citing IPR2013-00172, Paper 50 at 42). With respect to FRE 702, Petitioner notes that Patent Owner did not rely on FRE 702 to object to Dr. Bloom's Declaration in its entirety and has, thus, waived this particular argument. *Id.* at 5. Moreover, Petitioner asserts that although Patent Owner had the opportunity to cross-examine Dr. Bloom, it failed to question him as to any reliable principles and methods that he used to render his opinion. *Id.* at 4–5.

We are not persuaded by Patent Owner’s arguments. Dr. Bloom has a Bachelor in Electrical Engineering, and a Masters and Ph.D. in Electrical and Computer Engineering. Ex. 1003 ¶¶ 15–17. He also has decades of experience in relevant technologies. *Id.* at ¶¶ 5–14. We are, therefore, not persuaded by Patent Owner’s argument that he has not provided sufficient proof that he is an expert. And as Petitioner correctly points out, an expert is not required to recite the “preponderance of the evidence” standard expressly in order for the expert testimony to be accorded weight, much less admissibility. Accordingly, we decline to exclude this testimony under FRE 702.

Patent Owner also seeks to exclude paragraphs 23–112 of Exhibit 1003 as irrelevant and inadmissible under FRE 401 and 402 because they address grounds challenging the claims that were not instituted upon by the Board. Paper 31, 5–6. Because these paragraphs also support Petitioner’s 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 paragraphs.

Patent Owner also seeks to exclude paragraphs 23–26 and 113–128 of Exhibit 1003 as lacking foundation and providing legal opinions on which the lay witness is not competent to testify. *Id.* at 6. According to Patent Owner, these paragraphs “relate to the strictly legal issue of statutory subject matter under § 101, an issue for which Dr. Bloom is not an expert” and should be excluded under FRE 401, 402, 602, 701, and 702. *Id.* Because these paragraphs also relate 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 paragraphs.

Patent Owner also seeks to exclude paragraphs 129–137 of Exhibit 1003 under 37 C.F.R. § 42.65(a) as impermissibly relating to legal concepts. *Id.* at 6–7. We understand that in these paragraphs, Dr. Bloom is not giving expert testimony about the law, but simply indicating his understanding of the law as background foundation for the declaration. *See* Ex. 1003 ¶ 129. As such, we decline to exclude these paragraphs.

Patent Owner also seeks to exclude paragraphs 102–107, 122–125, and 128 of Exhibit 1003 as inadmissible hearsay under FRE 801 and 802. *Id.* at 7–10. Petitioner responds to these objections by filing, as supplemental evidence, supporting documents comprising the underlying publications referred to by Dr. Bloom in these paragraphs. Paper 38, 9–11 (citing Ex. 1043). Patent Owner does not appear to object to the contents of this evidence, but merely the form in which it was filed—that each individual document was not filed as a separate exhibit, that the individual documents were not numbered sequentially, and that they were not filed with the first document in which each is cited. Paper 41, 4–5. To the extent that Exhibit 1043 does not comply with §§ 42.6 or 42.63, we waive those deficiencies, which relate not to the ultimate substance of this issue, but to procedural formalities. Moreover, because Patent Owner does not explain further why the actual contents of Exhibit 1043 do not overcome its hearsay objections, we decline to exclude these paragraphs under FRE 801 and 802.

Exhibits 1004–1006

Patent Owner seeks to exclude Exhibits 1004–1006 as irrelevant under FRE 401 and 402 because, while cited, they were not instituted upon by the Board. Paper 31, 10–11.

Petitioner counters that all of these exhibits “speak to the well-known and conventional aspects of ‘appl[ying] generic computer technology towards the solution of a financial problem: enabling limited use of paid-for/licensed content’ and, thus, are relevant to the question of patent eligibility. Paper 38, 11–12.

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.

Exhibit 1028

Patent Owner seeks to exclude Exhibit 1028, cited by both the Petition and the Bloom declaration, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 11. According to Patent Owner, the document, which describes the planned establishment of credit facilities into retail establishments is not relevant to the technological solution embodied in the ’458 patent. *Id.*

Petitioner responds that Exhibit 1028 is “directed to well-known historic credit operations in support of Dr. Bloom’s observation that the ’458 Patent mimics such payment operations” and is, therefore, not irrelevant. Paper 38, 12.

Because Exhibit 1028 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1028.

Exhibit 1039

Patent Owner seeks to exclude Exhibit 1039, cited by both the Petition and Petitioner's reply brief, as irrelevant and inadmissible under FRE 401 and 402. Paper 31, 12. According to Patent Owner, the document has an alleged publication after the effective filing date of the '458 patent. *Id.* Patent Owner also argues that Exhibit 1039 should be excluded under FRE 901 because Petitioner has not produced evidence sufficient to support a finding that Exhibit 1039 is what the proponent claims it is.

Petitioner does not address Exhibit 1309 in its opposition to Patent Owner's Motion to Exclude. *See* Paper 38. Petitioner, however, does address the relevance of this document in its reply brief, stating that Exhibit 1039 was relied upon, notwithstanding the publication date, "because the cited passages are consistent with and corroborate [Dr. Bloom's] expert understanding, and are relevant to his explanation of the fact that human beings, long before the '458 patent's effective filing date, traditionally engaged in mental activities aimed at enabling limited use of paid for and/or licensed content." Pet. Reply 9.

Because Exhibit 1039 is relied upon by Petitioner to support its assertions with respect to the underlying factual issues related to patent eligibility, we are not persuaded that it is irrelevant under FRE 401 and 402. Accordingly, we decline to exclude Exhibit 1039.

ORDER

Accordingly, it is:

ORDERED that claim 11 of the '458 patent is determined to be *unpatentable*;

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FURTHER ORDERED that Patent Owner's motion to exclude is
denied;

FURTHER ORDERED that Petitioner's motion to exclude is *denied*;
and

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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