

#### F. Joint and Several Liability

Because Viewpointe was not found to infringe, as discussed in Section III.D., above, Viewpointe is not jointly and severally liable for the jury's finding of damages for joint infringement by U.S. Bank and Viewpointe. Similarly, Viewpointe is not jointly and severally liable for the jury's finding of willfulness. Viewpointe's motion should therefore be GRANTED as to joint and several liability. This ruling applies only to Phase I.

#### G. Release

Viewpointe incorporates in its motion the Renewed Motion of the Phase I Defendants for Judgment as a Matter of Law that, as a Matter of Judicial Estoppel, They Have Been Released from Liability to Plaintiff DataTreasury for the Claims Tried in Phase I (Dkt. No. 2125). The Court resolves this issue by separate Order on that co-pending motion.

### IV. CONCLUSION

The Renewed Joinder and Motion of Viewpointe for Judgment as a Matter of Law (Dkt. No. 2124) is hereby GRANTED IN PART and DENIED IN PART. Specifically, Viewpointe's motion is hereby GRANTED as to infringement, GRANTED as to willfulness, and GRANTED as to joint and several liability. These rulings apply only to Phase I. To whatever extent not granted herein, Viewpointe's motion is hereby DENIED.

IT IS SO ORDERED.



VERSATA SOFTWARE, INC., et al.

v.

SAP AMERICA, INC. and SAP, AG.

Case No. 2:07-CV-153-CE.

United States District Court,  
E.D. Texas,  
Marshall Division.

Dec. 21, 2010.

**Background:** In action for infringement of patents directed to product configuration and pricing software, competitor filed claim of inequitable conduct.

**Holding:** The District Court, Charles Everingham IV, United States Magistrate Judge, held that patent owner did not intentionally fail to disclose material information to Patent and Trademark Office (PTO) during prosecution, and thus patents were not unenforceable for inequitable conduct.

Claim denied.

#### 1. Patents ¶97.8

A patent may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the PTO during prosecution. 37 C.F.R. § 1.56(a).

#### 2. Patents ¶97.13

A party may show inequitable conduct by producing clear and convincing evidence of (1) material prior art, (2) knowledge chargeable to the patent applicant of prior art and its materiality, and (3) the applicant's failure to disclose the prior art to the Patent and Trademark Office (PTO) with intent to mislead.

**3. Patents** ⇄97.9

Materiality of information withheld during patent prosecution, for purposes of claim alleging invalidity due to inequitable conduct, embraces any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.

**4. Patents** ⇄97.9

Information concealed from the Patent and Trademark Office (PTO) may be material, for purposes of claim alleging invalidity due to inequitable conduct, even though it would not invalidate the patent.

**5. Patents** ⇄97.9

A withheld otherwise material prior art reference is not material for the purposes of inequitable conduct if it is merely cumulative to that information considered by the examiner.

**6. Patents** ⇄314(5)

The scope and content of prior art and what the prior art teaches are questions of fact.

**7. Patents** ⇄97.10

Inequitable conduct requires not intent to withhold, but rather intent to deceive patent examiner.

**8. Patents** ⇄97.13

Intent to deceive, for purposes of claim alleging invalidity due to inequitable conduct, cannot be inferred simply from patentee's decision to withhold prior art reference from Patent and Trademark Office (PTO) examiner where the reasons given for the withholding are plausible.

**9. Patents** ⇄97.13

A finding that particular conduct amounts to "gross negligence" does not of itself justify an inference of intent to deceive, for purposes of claim alleging patent invalidity due to inequitable conduct; the

involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.

**10. Patents** ⇄97.13

The party asserting inequitable conduct must prove a threshold level of materiality and intent by clear and convincing evidence.

**11. Patents** ⇄97.12

Competitor failed to establish inventor of patents directed to product configuration and pricing software had knowledge of details of hierarchical structure employed by competitor's prior art system at time inventor submitted his applications to Patent and Trademark Office (PTO), as required to establish that inventor's failure to disclose competitor's system to PTO during prosecution of his applications constituted inequitable conduct.

**12. Patents** ⇄97.9

Competitor failed to establish its hierarchical system for pricing software, as it existed prior to filing of inventor's application for patents directed to product configuration and pricing software, was material to patentability of inventor's invention, as required to establish that inventor's failure to disclose competitor's system to Patent and Trademark Office (PTO) during prosecution of his applications constituted inequitable conduct.

**13. Patents** ⇄97.9

Competitor failed to establish inventor of patents directed to product configuration and pricing software subjectively appreciated materiality of competitor's use of hierarchies in its pricing software system, as required to establish that inventor's failure to disclose competitor's system to Patent and Trademark Office (PTO) during

prosecution of his applications constituted inequitable conduct.

#### 14. Patents ¶97.12

Competitor failed to demonstrate what material knowledge the inventor withheld from Patent and Trademark Office (PTO) regarding competitor's hierarchical system for pricing software at time inventor's application for product configuration and pricing software was prosecuted, as required to establish that inventor's failure to disclose competitor's system to PTO constituted inequitable conduct.

#### 15. Patents ¶97.12

Competitor failed to establish that inventor of patents directed to product configuration and pricing software intentionally, and with intent to deceive, withheld information about competitor's hierarchical system for pricing software from Patent and Trademark Office (PTO) during prosecution of his applications, as required to establish that inventor's failure to disclose competitor's system to PTO constituted inequitable conduct.

#### Patents ¶328(2)

5,878,400, 6,553,350. Valid.

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Samuel Franklin Baxter, McKool Smith, Marshall, TX, Douglas Carleton Edwards, Joel Lance Thollander, John Michael Shumaker, Joshua Wright Budwin, Kevin M. Kneupper, Laurie Lavigna Fitzgerald, Michael Steven Perez, Peter John Ayers, Scott Lamar Cole, Steven John Pollinger, McKool Smith, James Norman Willi, Willi Law Firm, Austin, TX, Theodore Stevenson, III, McKool Smith, Dallas, TX, for Versata Software, Inc., et al.

1. The patents at issue in SAP's inequitable conduct claim are U.S. Patent Nos. 5,878,400

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#### MEMORANDUM OPINION AND ORDER

CHARLES EVERINGHAM IV, United States Magistrate Judge.

Before the Court is Defendants SAP America, Inc. and SAP, AG's ("SAP's") claim of inequitable conduct. The Court conducted a bench trial on April 27, 2010 on SAP's claim of inequitable conduct and the parties submitted briefing supporting their positions prior to the trial. (Dkt. Nos. 352, 358, 367, 371). For the following reasons, the Court DENIES Defendants' claim of inequitable conduct on the '400 and '350 patents.<sup>1</sup>

(“the '400 patent”) and 6,553,350 B2 (“the '350 patent”). Both list Thomas J. Carter as

## I. BACKGROUND

Trial in this case occurred between August 17–26, 2009 on patent infringement claims raised by Plaintiffs<sup>2</sup> against SAP based on the '400 and '350 patents. The jury returned a verdict that SAP directly infringed claims 26, 28, and 29 of the '350 patent, induced and contributed to infringement of claim 29 of the '350 patent, and directly infringed claims 31, 35, and 36 of the '400 patent. (Dkt. No. 318). SAP raised an invalidity issue, alleging that the asserted claims of the '400 and '350 patents are invalid for failure to disclose the inventor's best mode, but the jury found SAP failed to prove its contention by clear and convincing evidence. The Jury awarded \$138,641,000.00 in damages. After the jury trial, the parties submitted briefing on SAP's claims of inequitable conduct and the Court conducted a bench trial on April 27, 2010.

## II. LEGAL STANDARDS

[1, 2] “A patent may be rendered unenforceable for inequitable conduct if an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the PTO during prosecution.” *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed.Cir.2006); see also 37 C.F.R. § 1.56(a) (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to

the inventor and share a common specification.

2. Plaintiffs in this case include Versata Software, Inc., f/k/a Trilogy Software, Inc., Versata Development Group, Inc., f/k/a Trilogy Development Group, Inc., and Versata Computer Industry Solutions, Inc., f/k/a Trilogy Computer Industry Solutions, Inc. The Court will refer to these entities collectively as “Versata.”

the Office all information known to that individual to be material to patentability as defined in this section.”). Thus, “[a] party may show inequitable conduct by producing clear and convincing evidence of (1) material prior art, (2) knowledge chargeable to the patent applicant of prior art and its materiality, and (3) the applicant's failure to disclose the prior art to the PTO with intent to mislead.” *Avid Identification Systems, Inc. v. Crystal Import Corp.*, 603 F.3d 967, 972 (Fed.Cir.2010).<sup>3</sup>

[3–9] The materiality of information withheld during prosecution may be judged by the “reasonable examiner” standard. See *Digital Control*, 437 F.3d at 1316. That is, “[m]ateriality . . . embraces any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.” *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382 (Fed.Cir. 1998) (citations omitted); see *Avid*, 603 F.3d at 972. Moreover, “[i]nformation concealed from the PTO may be material even though it would not invalidate the patent.” *Li Second Family Ltd. Partnership v. Toshiba Corp.*, 231 F.3d 1373, 1380 (Fed.Cir.2000). “However, a withheld otherwise material prior art reference is not material for the purposes of inequitable conduct if it is merely cumulative to that information considered by the examiner.” *Digital Control*, 437 F.3d at 1319. “[T]he scope and content of prior art and what

3. The Federal Circuit has recently signaled that it may modify or clarify the standards on inequitable conduct, including whether the standard should be tied to fraud or unclean hands, the appropriate standard for materiality, and when it is proper to infer intent from materiality. See *Therasense, Inc. v. Becton, Dickinson and Co.*, 374 Fed.Appx. 35 (Fed. Cir.2010).



the prior art teaches are questions of fact.” *Id.* “[T]he facts in inequitable conduct cases rarely, if ever, include direct evidence of admitted deceitful conduct.” *Akron Polymer*, 148 F.3d at 1384. “The intent element of the offense is thus in the main proven by inferences drawn from facts, with the collection of inferences permitting a confident judgment that deceit has occurred.” *Id.* “However, inequitable conduct requires not intent to withhold, but rather intent to deceive. Intent to deceive cannot be inferred simply from the decision to withhold the reference where the reasons given for the withholding are plausible.” *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed.Cir.2003). In addition, “a finding that particular conduct amounts to ‘gross negligence’ does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.” *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed.Cir. 1988) (en banc in relevant part).

[10] “The party asserting inequitable conduct must prove a threshold level of materiality and intent by clear and convincing evidence.” *Digital Control*, 437 F.3d at 1313. “Only after adequate showings are made as to both materiality and deceptive intent may the district court look to the equities by weighing the facts underlying those showings.” *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., et al.*, 537 F.3d 1357, 1367 (Fed.Cir.2008). “The court must then determine whether the questioned conduct amounts to inequitable conduct by balancing the levels of materiality and intent, ‘with a greater showing of one factor allowing a lesser showing of the other.’” *Digital Control*, 437 F.3d at 1313 (quoting *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 693 (Fed.Cir.2001)).

### III. DISCUSSION

#### A. Factual Background

In April 2007, Versata initiated this litigation by asserting the ‘400 and ‘350 patents (among others) against SAP. During the course of litigation, SAP discovered that the inventor of the ‘400 and ‘350 patents, Thomas Carter, was familiar with SAP’s R/3 2.2 product at the time the application that led to the ‘400 and ‘350 patents was filed. Specifically, Mr. Carter was studying R/3 2.2 to make a “bridge” to allow conversion of customer pricing information from R/3 2.2 to Versata’s pricing program. Mr. Carter’s work, which occurred prior to and contemporaneously with the filing of his patent application, involved exporting the pricing information from SAP’s systems as a “flat file” and then reading that information into his system. For different customers who used different features in their SAP pricing system, Mr. Carter had to expand his “bridge” to cover a wider range of features. Trilogy did not have access to its own SAP installation, but instead had to use an installation owned by another company called ICS.

In the specification of his application, Mr. Carter described a hierarchical access system and explained that the R/3 system lacked that feature. Additionally, Mr. Carter explained that the prior art R/3 system lacked “denormalized tables.” The hierarchical access system was fundamental to the invention, as it allowed the retrieval of pricing information with far fewer accesses and a much smaller system of tables. As a result, pricing quotes could be generated at a customer site using a laptop computer rather than at the central office using a mainframe computer. Neither R/3 nor any other prior art pricing

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