UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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CALLIDUS SOFTWARE, INC.
Petitioner

v.

VERSATA SOFTWARE, INC. and
VERSATA DEVELOPMENT GROUP, INC.
Patent Owner

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Case CBM2013-00052
Patent 7,904,326 B2

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Before HOWARD B. BLANKENSHIP, SALLY C. MEDLEY, and
KEVIN F. TURNER, *Administrative Patent Judges.*

BLANKENSHIP, *Administrative Patent Judge.*

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

SUMMARY

Petitioner Callidus Software, Inc. filed a petition seeking a covered business method patent review of Patent Owner Versata Development Group, Inc. and Versata Software, Inc.'s 7,904,326 patent ("the '326 patent") (Ex. 1001) pursuant to section 18 of the Leahy-Smith America Invents Act (AIA).[1] The Petition ("Pet.") challenges all the claims (1-22) of the '326 patent as unpatentable under 35 U.S.C. § 101. Patent Owner filed a preliminary response opposing institution of the review. Paper 20 ("Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 324.

The standard for instituting a covered business method patent review is set forth in 35 U.S.C. § 324(a), which provides as follows:

> THRESHOLD.—The Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

We determine that the '326 patent is a covered business method patent. Petitioner has demonstrated that it is more likely than not that claims 1-22 are directed to non-statutory subject matter and, thus, unpatentable under 35 U.S.C. § 101. Therefore, we institute a covered business method patent review for claims 1-22 of the '326 patent based upon Petitioner's challenge that the claims are unpatentable under § 101.

THE CHALLENGED PATENT

The '326 patent "has applicability in industries that require sales agents or those related to the distribution of a certain product to be credentialed (e.g.,

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

licensed and/or appointed) when selling certain products" such as life insurance. Ex. 1001, Abstract. In the financial services sector, distributors and sales representatives may require certain licenses and appointments in order legally to sell certain financial instruments. *Id.* at col. 1, ll. 30-33. For example, in order to sell a certain financial instrument, a sales representative might be required to have a state and/or federal license to sell that type of instrument. *Id.* at col. 4, ll. 11-14. According to the patent, pre-existing systems did not have a mechanism for processing the required data in such a way that minimizes the time required to process license and appointment data and validate a sales agent's credentials before distributing compensation to the sales agent for the transaction. *Id.* at col. 1, ll. 44-49.

A distributor data object model 230 (Fig. 2) defines the data that are associated with a distributor and that is utilized to manage the credential information (relevant licensing and appointments). *Id.* at col. 8, ll. 39-49. Once the credential information is defined, the system may process transaction data associated with the sale of different products. The system may ensure that the terms of a selling agreement (e.g., an agreement between the parties involved) are followed and that the credential (e.g., licensing and/or appointment or other agreed-upon constraints) requirements are not violated with respect to each transaction. Sales transaction data comprise the information associated with the sale of one or more products. *Id.* at col. 7, ll. 31-42.

Illustrative Claim

1. In a computer system, a method for collectively performing validation of credential information of one or more product distributors associated with one or more product distribution transactions, the method comprising:

obtaining a set of available credential information of each of the one or more product distributors associated with the one or more product distribution transactions;

storing the set of credential information in the computer system, wherein the credential information is stored in a form that can be processed by the computer system;

loading from at least one data source a set of credential validation rule data;

obtaining the one or more product distribution transactions associated with the one or more product distributors; and

processing in the computer system the one or more product distribution transactions and the credential validation rule data to validate the obtained one or more product distribution transactions associated with the one or more product distributors in accordance with predetermined validation criteria to determine if the one or more transactions can be used for compensating one or more product distributors, to validate the obtained credential information of one or more product distributors associated with one or more transactions to determine whether the one or more product distributors meet eligibility requirements for compensation associated with each of the obtained product distribution transactions for the one or more product distributors, and to generate results data representing at least any validated transactions and determined-eligible product distributors; and

generating compensation data from the results data for each of the one or more product distributers to be compensated for the one or more product distribution transactions.

COVERED BUSINESS METHOD PATENT

Related Litigation

In compliance with 37 C.F.R. § 42.302(a), Petitioner certifies that it has been sued for infringement of the '326 patent. Pet. 4. Patent Owner does not challenge the certification. The identified related case is *Versata Software, Inc. v. Callidus Software, Inc.*, No. 1:12-cv-931-SLR (D. Del.).

35 U.S.C. § 325(a)(1)

Patent Owner urges that the Board decline to institute review of the '326 patent because Petitioner is barred by statute from seeking such review. Prelim. Resp. 6. Patent Owner argues that 35 U.S.C. § 325(a)(1) bars Petitioner because Petitioner filed a civil action challenging the validity of the '326 Patent before the filing of the Petition. *Id.* Patent Owner includes a copy of the complaint filed by Petitioner against Patent Owner seeking declaratory judgment that several of Patent Owner's patents are invalid, including the '326 Patent. Ex. 2001. Patent Owner alleges that Petitioner failed to identify the civil action in its Petition (Prelim. Resp. 7) and acknowledges that Petitioner voluntarily dismissed that action. *Id.* at 8. Patent Owner distinguishes *InVue Sec. Prods., Inc. v. Merch. Techs., Inc.*, No. IPR2013-00122, Paper No. 17 (PTAB June 27, 2013), where *inter partes* review was instituted although a declaratory judgment action was filed by the petitioner, but was involuntarily dismissed without prejudice by the District Court. *Id.* at 17-20. For the reasons that follow, Patent Owner's arguments are not persuasive.

First, we cite 37 C.F.R. § 42.302, which details who may petition for a covered business method patent review:

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