

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAP AMERICA, INC.
Petitioner,

v.

VERSATA DEVELOPMENT GROUP, INC.
Patent Owner.

Case CBM2012-00001 (MPT)
Patent 6,553,350

Before SALLY C. MEDLEY, MICHAEL P. TIERNEY, and RAMA G. ELLURU,
Administrative Patent Judges.

TIERNEY, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
37 C.F.R. § 42.73

Callidus Ex. 1012 CBM2013-00052 (Callidus v. Versata)

SAP filed a petition seeking a covered business method patent review of Versata's 6,553,350 ('350) patent pursuant to section 18 of the Leahy-Smith America Invents Act (AIA).¹ An oral hearing was held on April 17, 2013. This decision is a final written decision under 35 U.S.C. § 328(a) as to the patentability of the challenged claims. Based on the record presented, we hold that Versata's '350 claims 17, and 26-29 are unpatentable under 35 U.S.C. § 101.

I. Background

In 2007, Versata sued SAP for infringement of the '350 patent. The case proceeded to trial and a jury found infringement by SAP and awarded damages. Ex. 2039 (Jury Verdict). The district court denied SAP's post trial motion challenging the infringement verdict, but held a new trial on damages. In the second trial, the jury awarded lost-profits and reasonable royalty damages. The district court upheld those awards. Patent Owner Preliminary Response 7 ("Prel. Resp."), Paper 29.

Both parties appealed the district court's final judgment to the U.S. Court of Appeals for the Federal Circuit on October 11, 2011. *Versata Software, Inc. v. SAP America, Inc.*, Nos. 2012-1029, -1049. Of note, SAP did not appeal the district court's claim construction, and the validity of the '350 patent was not an issue on appeal. Prel. Resp. 8. The Federal Circuit affirmed the jury's infringement verdict and damages award but vacated and remanded a permanent injunction as overbroad. *Versata Software Inc. v. SAP America Inc.*, 106 USPQ2d 1649 (Fed. Cir. 2013).

SAP filed a petition with the United States Patent and Trademark Office ("Office") on September 16, 2012, challenging claims 17 and 26-29 of the

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

'350 patent as unpatentable for failing to comply with 35 U.S.C. §§ 101, 102, and 112, 1st and 2nd paragraphs. Petition (“Pet.”), Paper 1. Versata filed a patent owner preliminary response opposing the institution of the review. On January 9, 2013, the Patent Trial and Appeal Board (“Board”) granted the petition and instituted the trial proceeding. The Board concluded that SAP demonstrated that claims 17 and 26-29 were more likely than not unpatentable under 35 U.S.C. §§ 101 and 102, but denied the petition as to 35 U.S.C. § 112, 1st and 2nd paragraphs. Decision on Institution of a Covered Business Method Patent Review (“Decision”), Paper 36.

SAP requested that the trial be expedited with respect to the patentability of Versata’s claims under 35 U.S.C. § 101. Motion, Paper 40. Versata opposed the request, alleging that bifurcating the § 101 and § 102 issues had the potential to prolong the proceeding and increase costs, contrary to the purposes of the AIA. Opposition, Paper 42. SAP, however, agreed to forgo its challenge on the ground of unpatentability under § 102, if the Board were to enter the requested expedited schedule. Renewed Request, Paper 44. In light of SAP’s agreement to forgo the § 102 challenge, the Board granted SAP’s request to expedite the trial schedule. Decision Conduct of the Proceeding, Paper 45.

Versata filed a patent owner response to the petition, contending that the challenged claims are patentable under § 101 and that the Board had employed an incorrect claim construction standard in construing the ’350 patent claims. Response (“PO Resp.”), Paper 51. SAP’s reply to the patent owner response maintained that the claims are unpatentable and that the Board had construed the claims properly. “Pet. Reply,” Paper 58.

Both parties requested an oral hearing. *See* 35 U.S.C. § 326(a)(10) and 37 C.F.R. § 42.70(a). A hearing was held on April 17, 2013, a transcript of which appears in the record. Record of Oral Hearing, Paper 66.

II. Versata's '350 Patent²

Versata's '350 patent is directed to a method and apparatus for pricing products and services. Ex. 1001, '350 patent, 3:9-13. The central concept of the '350 patent involves hierarchies and the hierarchal arrangement of data. Ex. 1005, ¶ 20.

The '350 patent states that its “invention operates under the paradigm of WHO (the purchasing organization) is buying WHAT (the product).” The '350 patent, 3:24-25. An example of the WHO/WHAT paradigm is depicted in Figure 1 of the '350 patent below:

FIG. 1
PRIOR ART

WHAT \ WHO	486/33 CPU	486/50 CPU	486/66 CPU
ADAM	\$40	\$60	\$80
BOB	\$42	\$58	\$72
CHARLIE	\$44	\$68	\$92

² This background section appears also in the Decision, 3-5.

According to the '350 patent, the WHO/WHAT paradigm was known in the prior art. *Id.*, Fig. 1, 4:16-18. The '350 patent, however, states that prior art pricing tables for WHO/WHAT (customer/products) required large tables of data. *Id.*, 1:52-59.

The '350 patent invention is said to improve upon the prior art and reduce the need for large tables of data by arranging customers into a hierarchy of customer groups and products into a hierarchy of product groups. *Id.*, 3:24-27, 41-42. Specifically, in the '350 patent, WHO is defined by creating an organizational hierarchy of organizational groups, where each group represents a characteristic of the organizational group. *Id.* An example of an arrangement of an organization customer group is depicted below in Fig. 4A of the '350 patent:

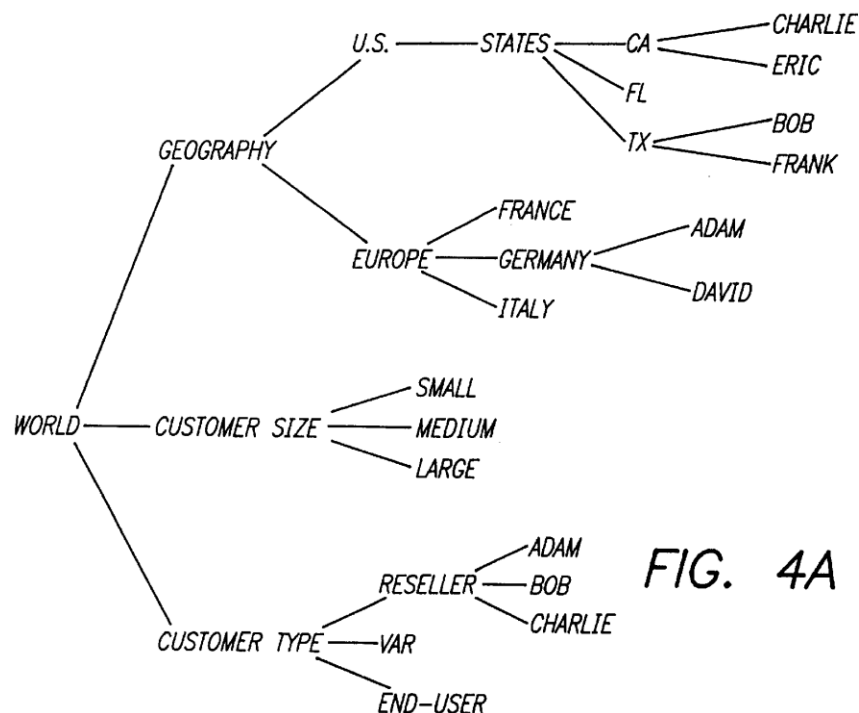


FIG. 4A

Similarly, a product group hierarchy for products (WHAT) is also defined. *Id.*, Fig. 4B, 4:26-28. Pricing information is then associated with the customer and

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