

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CALLIDUS SOFTWARE INC.
Petitioner

v.

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

Case CBM2013-00053
Patent 7,958,024 B2

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

TURNER, *Administrative Patent Judge*.

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

I. BACKGROUND

Petitioner Callidus Software, Inc. (“Petitioner”) filed a Petition (Paper 5; “Pet.”) to institute a covered business method patent review of claims 1, 2, and 35-47 of Patent 7,958,024 (the “’024 Patent”) pursuant to 35 U.S.C. § 321 *et seq.* Patent Owner Versata Development Group, Inc. and Versata Software, Inc. (“Patent Owner”) filed a Preliminary Response (“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):

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.

Petitioner challenges claims 1, 2, and 35-47 as unpatentable under 35 USC § 101. For the reasons that follow, the Board has determined to institute a covered business method patent review of claims 1, 2, and 35-47 of the ’024 Patent.

A. The ’024 Patent (Ex. 1001)

The ’024 Patent, entitled “Method and Apparatus for Processing Sales Transaction Data,” issued on June 7, 2011, based on U.S. utility application 09/810,012, filed March 15, 2001. The ’024 Patent issued with claims 1-47, with claims 1, 40, 42, and 45 being independent.

The ’024 Patent relates to managing relationships between institutions associated with a product or service and the distributors thereof. Ex. 1001

at 4:41-44. Based on governmental licensing and regulation, organizations, such as life insurances companies, may need to manage the sale and distribution of life insurance plans in a way that coincides with the regulatory constraints put in place on such sales by government organizations. *Id.* at 4:50-54. Embodiments disclosed in the '024 Patent allow for license data to be validated prior to distribution of compensation to sales agents for the transactions. *Id.* at 5:9-19. A suite of applications, namely a Distributor Management System Suite (DMSS), provide tracking information, such as contact points, payment methods, and organizational hierarchies on all parties in the system, managing regulatory information and ensuring that distributors are licensed and appointed to sell the products manufactured by the provider. *Id.* at 6:26-32.

B. Related Matters

Petitioner certifies that it has been sued for infringement of the '024 patent, Pet. 4, with the identified case being *Versata Software, Inc. v. Callidus Software, Inc.*, No. 1:12-cv-00931-SLR (D. Del.).

C. Exemplary Claim

Claim 1 of the '024 Patent is exemplary of the claims at issue:

1. A method for processing sales transaction data comprising:
 - using a distributor management system to perform:
 - capturing transaction data associated with sales performed by a plurality of sales representatives;

determining if said sales representatives associated with said transaction data are in conformity with a set of regulatory conditions applicable to said sales;

computing a plurality of compensation amounts based on said sale transactions data and said set of regulatory conditions; and

executing a payment process to compensate said plurality of sales representatives for said sales in accordance with said compensation amounts.

D. Asserted Ground of Unpatentability

Petitioner challenges the patentability of claims 1, 2, and 35-47 of the '024 Patent as failing to recite patentable subject matter under 35 U.S.C. § 101. No other challenges to the patentability of claims of the '024 Patent are asserted in the Petition.

II. ANALYSIS

A. 35 U.S.C. § 325(a)(1)

Patent Owner urges that the Board decline to institute review of the '024 Patent because Petitioner is barred by statute from seeking such review. Prelim. Resp. 5. Patent Owner argues that 35 U.S.C. § 325(a)(1) bars Petitioner because Petitioner filed a civil action challenging validity of the '024 Patent before the filing of the Petition. *Id.* at 6. 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 '024 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 also distinguishes *In Vue 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 by the District Court. *Id.* at 17-20. For the reasons that follow, we do not find Patent Owner's arguments to be persuasive.

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

(a) A petitioner may not file with the Office a petition to institute a covered business method patent review of the patent unless the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner has been sued for infringement of the patent or has been charged with infringement under that patent. Charged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

(b) A petitioner may not file a petition to institute a covered business method patent review of the patent where the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is estopped from challenging the claims on the grounds identified in the petition.

Under the cited rule, Petitioner, in its Petition, indicates that it is not estopped from challenging the claims on the grounds identified in the Petition, and, therefore, its Petition complies with that rule. Pet. 4.

Second, Patent Owner argues that “[s]ignificantly, no panel of the Board has stated that dismissal without prejudice nullifies the prior, and otherwise barring, act of filing (with proper standing) of a civil action challenging validity, i.e., the act chosen by Congress as a statutory bar to

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