

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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CBM2013-00054  
Patent 7,908,304 B2

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

MEDLEY, *Administrative Patent Judge*.

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

## I. INTRODUCTION

Callidus Software, Inc. (“Petitioner”) filed a corrected petition on September 17, 2013, requesting an *inter partes* review of claims 1, 12-25, 30-32, 42, and 43 of U.S. Patent No. 7,908,304 (Ex. 1001, “the ’304 patent”). Paper 6 (“Pet.”). Petitioner challenges all of claims 1, 12-25, 30-32, 42, and 43 of the ’304 patent as unpatentable under 35 U.S.C. § 101. In response, Versata Development Group, Inc. and Versata Software, Inc. (“Patent Owner”) filed a patent owner preliminary response on December 12, 2013. Paper 18 (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 324. *See* Section 18(a) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011) (“AIA”).

The standard for instituting 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.

Pursuant to 35 U.S.C. § 324, the Board authorizes a covered business method patent review to be instituted as to claims 1, 12-25, 30-32, 42, and 43 of the ’304 patent.

### A. *The ’304 Patent*

The specification of the ’304 patent describes a method and system for managing contracts between manufactures of a product and the distributors of the product. One described embodiment provides a system that enables financial

services companies to track information, provide incentive based compensation to their sales force, and calculate compensation based on certain variables. Ex. 1001, 4:43-51.

A Distributor Management System Suite (DMSS) comprises applications that 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 4:52-58. The DMSS comprises management modules, a backbone, one or more data processing engines, databases, and storage management components. *Id.* at 5:10-13.

### *B. Exemplary Claims*

Of the challenged claims, claims 1, 12, and 32 are independent claims.

Those claims are reproduced as follows:

1. A system for managing relationships between a first party and a second party comprising:
  - at least one processor;
  - memory coupled to said at least one processor;
  - said memory comprising a plurality of modules configured to manage distributor information;
  - said plurality of modules comprising a selling agreements module configured to generate a selling agreement;

said plurality of modules comprising a commission module configured to determine commission amounts associated with a sales transaction based on said selling agreement;

said plurality of modules comprising a licensing module configured to determine if a party associated with said sales transaction has a valid license to sell products associated with the sales transaction; and

said plurality of modules comprising a payment module for determining payment associated with said sales transaction to said party in accordance with (i) a determination of said commission amounts determined by said commission module and (ii) a determination by said licensing module of whether said party has a valid license to sell the products associated with said sales transaction.

12. A system for managing relationships between parties to a selling agreement, the system comprising:

a database source comprising a plurality of data objects representative of at least one distributing party, at least one selling agreement, and at least one license or appointment associated with said at least one distributing party; and

a distributor management engine configured to obtain at least one of said plurality of data objects from said database source and determine whether said at least one distributing party conforms with said at least one selling agreement and said at least one license or appointment is valid to allow the at least one distributing party to sell one or more products of the first party in accordance with the selling agreement.

32. A system for managing relationships between a first party and a second party comprising:

an interface for obtaining a plurality of business rules defining relationships between a product provider and at least one distributor;

a database source comprising a plurality of data objects representative of said at least one distributor, at least one selling agreement and at least one license or appointment associated with said at least one distributor;

a commission engine configured to determine a commission amount associated with said at least one distributor by evaluating said at least one selling agreement data object;

a plurality of modules comprising, a distributor administration module for managing said plurality of data objects;

said plurality of modules comprising, a licensing and appointment module configured to determine if said at least one license or appointment data object associated with said at least one distributor is in compliance with a set of industry regulations;

said plurality of modules comprising, a selling agreements module configured to enable said product provider to define and create a selling agreement with said at least one distributor; and

said plurality of modules comprising, a payment module configured to determine said commission amount to said at least one distributor.

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