

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CALLIDUS SOFTWARE INC.
Petitioner

v.

VERSATA DEVELOPMENT
GROUP, INC.
Patent Owner

AND

VERSATA SOFTWARE, INC.
Real Party-In-Interest

Case CBM2013-00054
Patent 7,908,304

Title: METHOD AND APPARATUS FOR MANAGING
DISTRIBUTOR INFORMATION

**PATENT OWNER'S REQUEST FOR REHEARING
UNDER 37 C.F.R. § 42.71**

Patent Owner Versata Development Group, Inc. (“Patent Owner”) submits the following Request for Rehearing of the Decision – Institution of Covered Business Method Patent Review entered March 4, 2014 (“Institution Decision”), instituting a post-grant review of Claims 1, 12-25, 30-32, 42, and 43 of U.S. Patent No. 7,908,304 (“the ’304 Patent”) under § 18 of the America Invents Act’s transitional program for covered business method patent review. Under 37 C.F.R. § 42.71(d), a party dissatisfied with a decision to institute a trial may file a request for rehearing, and must “specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed.” As explained below, the Institution Decision *misapprehends* and *overlooks* Patent Owner’s arguments regarding the plain language of the § 325(a)(1) statutory bar and applicable legislative history in arriving at its incorrect decision. Accordingly, Patent Owner requests that the Patent Trial and Appeal Board reconsider and vacate the Institution Decision.

In deciding that Petitioner’s prior-filed civil action does not bar institution of this proceeding, the entirety of the Board’s reasoning amounts to the following sentence: “The Board, however, has determined that dismissal without prejudice does not trigger the statutory bar.” Institution Decision, p. 11. This reasoning, standing alone (as it does in the Institution Decision), *overlooks* the vast majority of Patent Owner’s arguments.

First, the Institution Decision fails to explain how Petitioner's complaint challenging validity does not trigger the plain language of § 325(a)(1)'s statutory bar. Patent Owner's Preliminary Response discussed in detail the clear language of § 325(a)(1): "post-grant review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner...**filed a civil action challenging the validity of a claim of the patent.**" (emphasis added).

Preliminary Response, pp. 6, 8-10. The text of the statute is clear: the **filing** of a civil action controls the determination. As the Board surely knows, the **filing** of a civil action is effectuated by the filing of a complaint. Here, Petitioner filed a complaint challenging validity, which still exists in the electronic records of the federal courts system, and which was included as an exhibit to Patent Owner's Preliminary Response. Exh. 2001. The Board does not and cannot state that the complaint was not filed, nor does the Board cite any case law or other authority supporting such an un-filing. Thus, there can be no doubt that the bar applies. The inquiry should have ended there.

Instead of examining the plain language of the statute and applying the facts to the plain language, the Board veers to an unrelated tangent, and in quoting an earlier institution decision, alleges that "[e]xcluding an action that *de jure* never existed from the scope of § 315(a)(1) is consistent with both relevant case law and legislative history." Institution Decision, p. 11. The Board's quotation confirms

that the civil action itself no longer exists, but § 325(a)(1)'s applicability does not turn on the present existence of an action, and such legal non-existence does not negate the bar under § 325(a)(1). The event relevant to a § 325(a)(1) determination is the **filing** of an action, i.e., the filing of a complaint. The Board uses its incorrect determination and interpretation of the law to *sua sponte* and without any legal authority, conclude that a factual event (i.e., the filing of Petitioner's complaint and thus the commencement of the action) disappeared from existence and cannot act as a bar under the clear statutory language. But none of the case law citation provided by the Board in its cited decisions¹ can support such a conclusion, as the reasoning in each case is only relevant to the existence or non-existence of the action itself after it has been filed and dismissed, not whether an action and complaint are erased from existence. The fiction that the Institution Decision creates is nonsensical, and leads to an incorrect result.

¹ As noted above, the Institution Decision only cites previous *inter partes* review institution decisions as support. The "case law citation[s]" referred to by Patent Owner refer to citations the Board includes in those previous *inter partes* review institution decisions (IPR2013-00401, Paper No. 17 and IPR2013-00438, Paper No. 9). The Institution Decision in the instant proceeding is curiously devoid of any case law citation in the section dealing with the issue of standing under § 325(a)(1).

Federal Rules of Civil Procedure are themselves contrary to the Board's "*de jure* never existed" premise, indicating that a complaint and the action still exists, even after an action is dismissed without prejudice. Specifically, Rule 41(a)(1)(B) considers the existence of a previously filed and dismissed action for the purposes of determining whether dismissal of a subsequent civil action acts as an adjudication on the merits. Fed. R. Civ. P. 41(a)(1)(B). Similarly, Rule 41(d) allows a court to consider a previously filed and dismissed action in ordering a plaintiff to pay costs. Fed. R. Civ. P. 41(d). Whether an action is dismissed without prejudice or not and thus by law erased from existence, even the Federal Rules of Civil Procedure acknowledge the existence *in fact* of an action previously dismissed without prejudice. The filing remains; the complaint is not unfiled; and relevant barring event under § 325(a)(1) remains extant under the Federal Rules, notwithstanding dismissal.

The Institution Decision also overlooks Patent Owner's extensive citations of the applicable legislative history. Preliminary Response, pp. 10-12. For example, as cited in Patent Owner's Preliminary Response, Congress intended to restrict the cancellation petitioner in the originally proposed post-grant opposition procedure to "one window one time." 153 Cong. Rec. E774 (daily ed. Apr. 18, 2007), Exh. 2004 at 2 (emphasis added). The other quoted portions of the legislative history confirm the same goal. Specifically, the quotations affirm

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