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Paper 25
Entered: April 9, 2014

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 CBM2013-00054
Patent 7,908,304 B2

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

TURNER, *Administrative Patent Judge.*

DECISION
Request for Rehearing
37 C.F.R. §§ 42.71

INTRODUCTION

Versata Development Group, Inc. and Versata Software, Inc. ("Patent Owner") filed a Request for Rehearing (Paper 22, "Req.") of the Decision on Institution (Paper 19, "Dec."), which instituted a covered business method patent review of claims 1, 12-25, 30-32, 42, and 43of Patent 7,908,304 B2 ("the '304 patent"). In its request, Patent Owner argues essentially that the Board overlooked and misapprehended the Patent Owner's arguments regarding the plain language of the 35 U.S.C. § 325(a)(1) statutory bar and the applicable legislative history. The request for rehearing is *denied.*

ANALYSIS

When rehearing a decision on institution, the Board will review the decision for an abuse of discretion. 37 C.F.R. § 42.71(c). An abuse of discretion may be determined if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors. *Star Fruits S.N.C. v. U.S.*, 393 F.3d 1277, 1281 (Fed. Cir. 2005); *Arnold P'ship v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004); and *In re Gartside*, 203 F.3d 1305, 1315-16 (Fed. Cir. 2000).

As discussed in the Decision, there is no dispute about the facts of the instant case. Dec. 10. Patent Owner has acknowledged that the Petitioner filed a civil action challenging validity of the '024 Patent before the filing of the Petition and

acknowledges that Petitioner voluntarily dismissed that action. Patent Owner's Preliminary Response (Paper 18) at 6, 8. The Board considered all of Patent Owner's arguments made in the preliminary response, but did not find them to be persuasive. Dec. 10. As such, we did not overlook or misapprehend any of the Patent Owner's arguments; we simply came to a different legal conclusion. So as to not put form above substance, we take Patent Owner's request for rehearing as arguing that the Board based the Decision on an erroneous interpretation of law.

Patent Owner argues that the language of the statute cannot be clearer, detailing that "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**." Req. 3 (citing 35 U.S.C. § 325(a)(1), with emphasis). Patent Owner emphasizes that the filing of a civil action controls the determination, and that the inquiry should have ended there. *Id*. We do not agree.

Federal courts treat a civil action that is dismissed without prejudice as "something that de jure never existed." *Holloway v. U.S.*, 60 Fed. Cl. 254, 261 (2004*), aff'd* 143 F. App'x 313 (Fed. Cir. 2005); see also *Beck v. Caterpillar, Inc.*, 50 F.3d 405, 407 (7th Cir.1995) ("[Plaintiff's] suit was dismissed voluntarily pursuant to [Rule] 41(a), and is treated as if it had never been filed."). The Federal Circuit consistently has interpreted the effect of dismissals without prejudice as leaving the parties as though the action had never been brought. *Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002) ("The dismissal of an action without prejudice leaves the parties as though the action had never been brought."); *Jet, Inc. v. Sewage Aeration Systems*, 223 F.3d 1360, 1364 (Fed. Cir. 2000)

("Dismissal without prejudice indicates that judgment is not on the merits and will have no preclusive effect."); see also, *U.S. ex rel. Koch v. Koch Indus., Inc.*, 188 F.R.D. 617(D.C. Okla. 1999) (finding that dismissal without prejudice due to lack of subject matter jurisdiction means the "law deems the first suit to have never in fact existed."); *Macuto U.S.A. v. BOS GmbH & KG*, IPR2012-00004, Paper 18 at 14-16 (PTAB, Jan. 14, 2013) (holding that a dismissal without prejudice nullified the effect of service for purposes of 35 U.S.C. § 315(b)).

Thus, when an action is dismissed without prejudice, the parties are free to litigate the matter in a subsequent action, as though the dismissed action had never existed. *Univ. of Pittsburgh v. Varian Med. Sys., Inc*., 569 F.3d 1328, 1333 (Fed.Cir.2009). *See also* 9 WRIGHT & MILLER, FED. PRAC. & PROC. CIV. § 2367 (3d ed.); *see id*. at nn. 6 & 9 (citing numerous cases throughout the courts of appeals).

In the instant case, the court dismissed Petitioner's declaratory judgment action without prejudice; the action, therefore, is a nullity. In the context of § 325(a)(1), the action never existed. When a court permits the challenger to dismiss the declaratory judgment action voluntarily and without prejudice, the petitioner effectively unmakes that choice, because the action is considered never to have existed. As such, we consider the filing to not have occurred, such that the absence of a filing ends the inquiry[1].

[1] Patent Owner observes that "the instant proceeding is curiously devoid of any case law citation in the section dealing with the issue of standing under § 325(a)(1)," Req. 4 n.1, but given the newness of the statute, we do not find this to be unremarkable.

Patent Owner also argues that the Federal Rules of Civil Procedure are contrary to the "Board's '*de jure* never existed' premise." Req. 5. Patent Owner cites several sections and argues that the existence in fact of an action remains, such that the bar under § 325(a)(1) should still apply. However, Patent Owner's argument is confusing since Patent Owner also acknowledges that "an action is dismissed without prejudice . . . thus by law erased from existence," Req. 5, such that giving effect to the filing of a dismissed complaint would mean that the complaint had not been erased from existence. We find no benefit of a district court dismissing a complaint without prejudice if it can still be applied to bar the filer. As such, we do not find Patent Owner's argument to be persuasive.

Likewise, Patent Owner argues that the Board overlooked its extensive citations of the applicable legislative history, seeking to bar a party who has filed a declaratory-judgment action. Req. 5-6. The Board did not overlook the citations, but instead found the Decision to be commensurate with the legislative history, providing a single window for petitioners to pursue a declaratory-judgment action or a covered business method patent review. As an example, the Board determined in *Branch Banking and Trust Co., v. Maxim Integrated Products, Inc.*, CBM2013-00059, Paper 12 at 2-4 (PTAB, Mar. 20, 2014), that institution of a covered business method patent review should be denied because of an ongoing declaratory judgment action, finding institution barred under 35 U.S.C. § 325(a)(1).

Patent Owner also calls into question how long such a declaratory-judgment action must remain active, Req. 6, but we can offer no input on a process that occurs completely outside of the Board's jurisdiction. We can find no actionable evidence presented by Patent Owner that the district court acted improperly in

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