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How They Won It: Finnegan, Ropes Win 1st-Ever AIA Challenge

By **Bill Donahue**

Law360, New York (July 19, 2013, 5:11 PM ET) -- When attorneys from Finnegan Henderson Farabow Garrett & Dunner LLP and Ropes & Gray LLP teamed up to win the first-ever patent challenge under the America Invents Act for SAP America Inc. last month, they did so by diving headfirst into uncharted waters.

The story goes back to 2007, with SAP duking it out for more than five years with Versata Software Inc. over accusations that the tech giant was infringing five Versata patents for product-pricing software. SAP eventually succeeded in paring away four of the patents, but infringement claims based on U.S. Patent Number 6,553,350 stuck around.

In 2011, a jury found SAP had infringed the '350 patent, and a judge ordered the company later that year to pay Versata $391 million in damages.

Enter a sweeping piece of patent reform legislation. The AIA, passed in September 2011, created a special post-grant review program for business method patents — a chance for the Patent Trial and Appeal Board to reconsider the viability of certain patents that lawmakers considered dubious attempts to gain monopoly control of long-standing practices and abstract concepts used in the financial services industry.

To Erika Harmon Arner, chair of Finnegan's patent prosecution practice and one of the leads on the SAP case, Versata's '350 patent — which covered a system to customize prices based on individual purchasers and other factors — fit the bill.

“Looking at the type of patent that this legislation was designed to address, the Versata patent was really right in the wheelhouse,” Arner said. “We began preparing the petition to file it as soon as possible.”

As soon as possible meant Sept. 16 — the day the business method patent review program went online under the AIA. SAP's attorneys formally filed with the U.S. Patent and Trademark Office at 12:01 am on the 16th, which just so happened to be a Sunday morning.

Stepping into the statutory and procedural unknown in the early-morning hours, Arner recalls an immediate stumble: One of the files for the exhibits wouldn't properly transfer on the new electronic filing system.

But in what became something of a theme for this fledgling process, the judges at the USPTO helped ease the adjustment. They allowed an SAP attorney to carry a disk over to the patent office, where they were already reading through the petition, at 2 a.m.

“I think the board was as excited as the parties were to make sure this new proceeding worked as Congress intended,” Arner said. “It was quite an interesting adventure.”

Though the framework was written in the law, much of the practical, functional aspects of a post-grant review under the AIA were unclear — to both the attorneys and the judges. That uncertainty was unnerving for all involved, but the SAP attorneys embraced it.

“It was interesting to see how the board was going to address some issues that weren't literally spelled out in the rule,” said J. Steven Baughman of Ropes & Gray LLP, another lead on the case. “There were a lot of questions that were still open about how different aspects of the case would be handled.”

Arner noted that two of the patent office judges handling the case — Michael Tierney and Sally C. Medley — had played key roles in developing the provision in the AIA. They listened to how the parties were interpreting the rules, and when something wasn't entirely clear, “we sort of helped make it up as we went along,” she said.

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Amid the uncertainty, one guiding force for the SAP attorneys was the underlying purpose behind the inclusion of the post-grant review in the AIA: to reduce costs and time by offering a way to weed out possibly unmerited patents.

“The board was constantly harking back to the legislative intent and making sure that it was effectuating Congress' purpose in creating this new challenge,” Baughman said.

That meant that the board was inclined to expedite SAP's challenge of Versata's patent based on Section 101 of the Patent Act — which bars patents on abstract ideas — if the company was willing to take the risk of dropping its alternative challenge based on Section 102, which bars patents that are anticipated by prior art.

And in the end, the 101 challenge was all that was necessary. On June 12, the Patent Trial and Appeal Board ruled that Versata's patent covers only the abstract idea of arranging customer and product data and calculating a product price.

"The claims recite unpatentable abstract ideas, and the claims do not provide enough significant meaningful limitations to transform these abstract ideas into patent-eligible applications of these abstractions," the board concluded.

Like the process itself, the ruling's effect is uncertain at press time. The Federal Circuit had previously affirmed the $391 million award for Versata, and it's unclear how that will mesh with the PTAB decision. Versata also filed a motion for rehearing at PTAB last week.

But it's certainly still a win for SAP. Getting there, through the unknown of the new post-grant proceeding, took an unusual level of cooperation between Finnegan and Ropes & Gray, according to the attorneys involved.

“It was a very collaborative effort,” Arner said. “At times, we forgot Steve doesn't have an office here.”

“Law firms often don't work together very well,” said Ropes & Gray partner Jim Batchelder, the lead trial attorney in the earlier district court case and another key figure in the AIA challenge. “This was a great exception to that rule.”

The case is SAP America Inc. v. Versata Development Group Inc., case number CBM2012-00001, before the Patent Trial and Appeal Board.

--Additional reporting by Ryan Davis. Editing by Kat Laskowski.

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