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Paper 81
Entered: September 13, 2013

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SAP AMERICA, INC.
Petitioner,

v.

VERSATA DEVELOPMENT GROUP, INC.
Patent Owner.

Case CBM2012-00001
Patent 6,553,350

Before SALLY C. MEDLEY, MICHAEL P. TIERNEY, and RAMA G. ELLURU,
Administrative Patent Judges.

MEDLEY, *Administrative Patent Judge.*

DECISION
Request for Rehearing
37 C.F.R. § 42.71(d)

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I. INTRODUCTION

Versata requests rehearing (Paper 71, Rehearing Req.) of the Final Written Decision (Paper 70, Final Decision) cancelling Versata's claims 17 and 26-29 of U.S. Patent 6,553,350 (the '350 patent) as unpatentable under 35 U.S.C. § 101. Rehearing Req. 1. SAP filed an opposition (Paper 74, Opposition).¹ The request for rehearing is *denied*.

A. Summary of the Final Decision

In the Final Decision, the Board explained that the broadest reasonable interpretation standard is the claim construction standard for post-grant reviews. Final Decision 7-19. The Board construed Versata's claims, applying the broadest reasonable interpretation standard. *Id.* 19-24. The Board held that Versata's claims 17 and 26-29 are unpatentable under 35 U.S.C. § 101. *Id.* 34.

B. Summary of Rehearing Request

According to Versata, the Board misapprehended or overlooked that (1) the '350 patent is not a "covered business method patent"; (2) claim and issue preclusion bar the post-grant review initiated by SAP; (3) 35 U.S.C. § 101 is not a permissible basis for review; (4) the broadest reasonable interpretation standard is not the proper standard for interpreting the claims in the review; (5) even if the broadest reasonable interpretation standard applies, the Board's claim constructions are unreasonable; and (6) claims 17 and 26-29 of the '350 patent recite patent eligible subject matter. Rehearing Req. 1. Versata requests that the Board vacate the Final Decision and/or terminate the proceeding. *Id.* 15.

¹ The Board authorized SAP to file an opposition for the limited purpose of addressing whether two recent Federal Circuit decisions impact the Board's Final Decision. Paper 73.

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II. ANALYSIS

Versata raised issues (1)-(3), *supra*, in its Preliminary Response (Paper 29, Prelim. Resp.). However, Versata did not identify or maintain any of those issues once the trial was instituted. For example, Versata did not raise issues (1)-(3) in its Patent Owner Response (Paper 51, PO Resp.), and both the Board and SAP understood that Versata waived issues (1)-(3). Ex. 2098 at 8:13-9:2. SAP relied on Versata's representation that it waived issues not discussed in Versata's Patent Owner Response. In so doing, SAP did not respond to or address issues (1)-(3) in its Petitioner Reply. Paper 58 at 1 (n. 1), Reply.

A request for rehearing of a final decision is not an opportunity for a party to raise issues that were waived. We find *Georgia Pacific Consumer Products, LP, et al., v. Von Drehle Corporation, et al.*, 710 F.3d 527,533-534 (Fed. Cir. 2013), instructional on the issue, and quote from that opinion here:

Under Rule 8(c)(1) of the Federal Rules of Civil Procedure, the defenses of claim preclusion and issue preclusion are affirmative defenses that must be pleaded. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found*, 402 U.S. 313, 350 (1971) (citing Fed. R. Civ. P. 8(c)). A party may be held to have waived such preclusion defenses when that party has not properly and timely asserted them. *See Arizona v. California*, 530 U.S. 392, 410 (2000) (“[R]es judicata [is] an affirmative defense [that is] ordinarily lost if not timely raised.”); *see also Mun. Resale Serv. Customers v. FERS*, 43 F.3d 1046, 1052 n.4 (6th Cir. 1995) (“Res judicata and collateral estoppel are affirmative defenses which are waived if not timely asserted.”).

Even when a preclusion defense is not available at the outset of a case, a party may waive such a defense arising during the course of litigation by waiting too long to assert the defense after it becomes available. *See Arizona*, 530 U.S. at 413 (holding that party could not raise preclusion as a defense when party could have raised the defense earlier but did not, “despite ample opportunity and cause to do so”); *Davignon v. Clemmey*, 322 F.3d 1, 15 (1st Cir. 2003) (holding that

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district court abused its discretion by allowing defendant to assert preclusion defense “at the eleventh hour.”)

The Board determines that it would not be just or efficient to consider issues (1)-(3) (issues that Versata waived) at this stage, after completion of briefing and after a final decision has been rendered. Accordingly, we need not, and will not, address Versata’s arguments directed to items (1)-(3).²

Versata argues that the broadest reasonable interpretation (BRI) standard is an examination tool, citing *In re Skvorecz*, 580 F.3d 1262, 1267-68 (Fed. Cir. 2009), and that none of the authority cited by the Board stands for the proposition that BRI is “substantive law applicable in any proceeding at the PTO.” Rehearing Req. 6-7. Contrary to Versata’s assertions, the Board did cite to authority that supports the Board’s position that the broadest reasonable interpretation standard applies in *inter partes* proceedings at the PTO. Final Decision 9, citing *In re Yamamoto*, 740 F.2d 1569 (Fed. Cir. 1984).

We also are not persuaded that the Final Decision overlooked Versata’s arguments that the promulgation of substantive Rule 42.300(b) exceeded the PTO’s procedural rulemaking authority by imposing substantive legal requirements. Rehearing Req. 7. The Final Decision addressed Versata’s arguments in that regard, explaining that “the AIA has provided the Office with new statutory and rulemaking authority, particularly with respect to post-grant

² To the extent that Versata “raised” claim and issue preclusion again, during the Trial (see Rehearing Req. 5:4-7), the Board determined that the issue was not an issue for trial. For example, once a trial is instituted, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner. 35 U.S.C. § 328. To make such a determination, the Petitioner need not be a party. Therefore, the defense of issue and claim preclusion would have no effect on the Board’s statutory duty to determine patentability.

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reviews, including covered business method patent reviews. *See, e.g.*, Title 35, Chapter 32.” Final Decision 11 (footnote omitted). Versata disagrees with the Final Decision’s explanation in that regard. Rehearing Req. 7-8. A request for rehearing is not an opportunity to express disagreement with a decision. The proper course for Versata is to appeal, not to file a request for rehearing to re-argue issues that already have been decided. *See* 35 U.S.C. § 329.

Versata argues that the new AIA reviews are trials, not examinations, reexaminations, or reissues, and that, therefore, it was improper for the Board to look to authority addressing the claim construction standard for examinations, reexaminations, or reissues. Rehearing Req. 8. We are not persuaded by this argument. Again, Versata merely disagrees with the Final Decision, which is not the proper basis for rehearing. In any event, we disagree that broadest reasonable interpretation should not apply to proceedings such as the one before us, as we explained in the Final Decision. In particular, the Board explained how the legislative history, for example, supports the adoption of the broadest reasonable interpretation standard in post-grant reviews. Final Decision 16, citing to 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

We are not persuaded by Versata’s argument that post-grant review proceedings are district-court-like trials. Versata reasons that because post-grant review proceedings are district-court-like trials, the claim construction standard enunciated in *Phillips v. AHW Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) should apply. Rehearing Req. 8-9. We disagree with Versata that post-grant review proceedings are district-court-like trials. As set forth per 35 U.S.C. § 328(a), the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under § 326(d). Nothing in 35 U.S.C. § 328(a) suggests that a petitioner

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must be a party for the Board to issue a final written decision, or that the Board is limited in its patentability determination only to consider those issues raised by a petitioner. For at least this reason, post-grant review proceedings are not like district court trials.

Versata argues that *stare decisis* requires that the Board apply the district court's claim construction. Rehearing Req. 10. The Board did not misapprehend or overlook this argument. Indeed, we addressed this argument. Final Decision 18. Versata's argument is unavailing for the same reasons we provided in the Final Decision.

Versata argues that, even assuming that the broadest reasonable interpretation standard applies, the Final Decision misapprehends or overlooks the broadest reasonable interpretation of Versata's '350 claims 17 and 26-29. Rehearing Req. 11. In particular, Versata argues that claim 17 requires that the sorting step is performed after the retrieving step, and that claims 17 and 26-29, when read in light of the specification, require the use of denormalized numbers, that SAP agreed to this interpretation as the broadest reasonable interpretation, and that the Board overlooked SAP's acknowledgement in that regard. Rehearing Req. 11. The Board disagrees with Versata's characterization of SAP's "acknowledgment." Rather, SAP agreed with the Board that the claims do not require the use of denormalized numbers. Final Decision 23, Reply 17. Moreover, the Final Decision, at pages 19-24, explains in detail the Board's claim construction. In its rehearing request, Versata merely disagrees with our construction, but has not shown how we misapprehended or overlooked any arguments made.

Versata argues that claims 17 and 26-29 of the '350 patent recite patent-eligible subject matter under 35 U.S.C. § 101, and that the Board was incorrect to

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conclude otherwise. Rehearing Req. 12. First, Versata argues that the Board found that the '350 patent claims contain two abstract ideas, and that no precedent exists where claims with multiple abstract ideas were found unpatentable. *Id.* 12. Versata does not direct us to where it raised this argument previously. We could not have overlooked or misapprehended an argument that is made for the first time in a rehearing request. Moreover, Versata does not explain, in any meaningful way, why a claim having more than one abstract idea becomes patent-eligible simply because the claim recites more than one abstract idea. While the Board did identify the concept of organizational hierarchies for products and customers as an abstract concept, and characterized determining a price as “also abstract” (Final Decision 29), we agree with SAP that breaking a single abstract idea into two concepts does not limit meaningfully a claim to a patentable application (Opposition 4-5). Versata has not directed us to authority that suggests otherwise.

Next, Versata argues that the Board misapprehended or overlooked the requirement that the claims be considered as a whole, for example, by addressing the claimed subject matter in each of the specific steps of storing, retrieving, sorting, eliminating, and determining of claim 17. Rehearing Req. 13. The Board did not misapprehend or overlook this requirement. It is clear from the Final Decision that the Board did consider the claims as a whole. Final Decision 31-33.

Versata argues that the Board misapprehended or overlooked the significance of the computer hardware limitations that are included in the claims and applied the wrong analysis in determining whether the claim limitations are meaningful, citing the Federal Circuit’s decision in *Ultramercial, Inc. v. Hulu, LLC*, No. 2010-1544, 2013 U.S. App. LEXIS 12715 (Fed. Cir. 2013). Rehearing Req. 13-14. *Ultramercial* was decided after the Board’s Final Decision, and therefore was not discussed per se. However, the Final Decision did take into

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account Versata's arguments regarding the significance of "the computer hardware limitations" in the claims. Final Decision at 29-30. We agree with SAP (Opposition 5) that the use of an unspecified computer in Versata's claims does not make the '350 patent claims patentable, either before or after *Ultramercial*. As we stated in our Final Decision, "claims do not become patentable under § 101 simply for reciting a computer element." Final Decision 29 (citing *Gottschalk v. Benson*, 409 U.S. 63, 68 (1972)). The Final Decision explained in detail why Versata's claimed invention did not recite anything more than "general purpose computer hardware." *Id.* 30. The *Ultramercial* decision, therefore, does not warrant granting Versata's rehearing request.

Lastly, Versata argues that the Board overlooked that the challenged claims are limited to a specific way of pricing products and do not preempt all practical uses of the alleged abstract idea. Rehearing Req. 15. This argument is based on Versata's disagreement with the Final Decision that Versata's claims add insignificant, conventional, and routine steps that are implicit in the abstract idea itself (Final Decision 31-33). However, as stated previously, mere disagreement with a decision is not the proper basis for rehearing. Versata's argument is unavailing for the same reasons we provided in the Final Decision.

Versata's request for rehearing is *denied*.

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