

Articles

April 23, 2014

Federal Circuit to Review PTAB Post-Grant Review Proceedings in *SAP v. Versata*: PTAB Jurisdiction; Grounds on Which Invalidity May Be Asserted; and the Scope of Claim Construction

On September 16, 2012, post-grant proceedings became available as means to challenge patent validity pursuant to the America Invents Act. The post-grant proceedings take place before the Patent Trial and Appeal Board (“PTAB”), and include *inter partes* review (“IPR”), covered business method patent review (“CBM”) and post grant review (“PGR”). Take a look at our snapshot of these [options](#) for more detail.

Over the last 18 months, the rules and standards for these proceedings have begun to be hashed out, but this area of law is still evolving. A prime example of this is the currently pending appeal to the Federal Circuit from the PTAB’s decision in the first CBM review in *SAP America, Inc. v. Versata Data Development Group*, [PTAB Case CBM2012-00001](#). This case involves several key issues, including the: (1) PTAB’s jurisdiction; (2) scope of available grounds of invalidity; and (3) appropriate claim construction.

The SAP case concerns U.S. Patent No. 6,553,350, over which the parties have been litigating for many years. In fact, the case proceeded to trial, and a jury found that SAP infringed the patent and awarded Versata damages of lost profits and a reasonable royalty. The Federal Circuit affirmed the jury’s verdict on infringement and damages, but remanded as to the injunction.

While the appeal was pending, SAP filed a CBM petition with the PTAB, alleging that several claims of the ‘350 patent were invalid. The PTAB agreed and declared that the patent was invalid under 35 U.S.C. § 101. The ‘350 patent is directed to a method and apparatus for pricing products and services and the central concept involves hierarchal arrangement of data. Applying the broadest reasonable interpretation standard for claim construction, the PTAB panel found that Versata’s claims encompass unpatentable abstract ideas and lack sufficient meaningful limitations beyond the recited abstract idea.

Versata has now appealed the PTAB’s finding of invalidity to the Federal Circuit on several bases in two companion appeals (*Versata v. SAP*, Fed. Cir. Case 2014-1194 and *Versata v. Lee*, 2014-1145), arguing that “[t]he PTAB’s jurisdictional determinations were overreaching; its merits analysis legally erroneous; and its ultimate conclusion – holding this detailed, commercially successful software patent to be unpatentably ‘abstract’ – incorrect.”

In addition to arguments related to the specific merits of the case, Versata makes three arguments to watch:

- . That the PTAB lacked jurisdiction to adjudicate the CBM petition because a final decision was reached by a district court – even if still on appeal – and review was thus estopped;
- . That the PTAB did not have the authority to rely on 35 U.S.C. § 101 as a grounds of invalidity. Versata asserts that the plain language of 35 U.S.C. §282(b)(2) limits grounds for invalidity in a CBM petition to 35 U.S.C. §§ 102 and 103 (as is the case with IPRs); and
- . That the PTAB improperly ignored the district court’s prior claim construction and incorrectly employed the broadest reasonable interpretation (“BRI”) standard for claim construction.

Regarding jurisdiction, the SAP case is reminiscent of – though the facts and timing are somewhat different – the case of *Fresenius USA v. Baxter Int’l.* (Fed. Cir. 2013). There, the district court found on summary judgment that the asserted claims were valid. That decision was affirmed by the Federal Circuit. But before the district court issued final judgment on remand, the PTO found the claims invalid in concurrently pending *ex parte* reexamination. In a second appeal, the Federal Circuit upheld the PTO’s invalidity decision, explaining that a validity decision is not “final” for purposes of *res judicata* until judgment is entered, and that once claims are invalidated by the PTO, the patentee “no longer has a

AUTHORS

Meaghan Hemmings Kent
Carly S. Levin
Fabian M. Koenigbauer
Steven J. Schwarz

RELATED PRACTICES

Intellectual Property
AIA *Inter Partes* Litigation

ARCHIVES

2014	2010	2006
2013	2009	2005
2012	2008	2004
2011	2007	

cause of action.” The Federal Circuit denied a rehearing *en banc*, but a petition for *certiorari* to the Supreme Court is pending.

Regarding the BRI standard for claim construction raised in the SAP case, an *amicus* brief signed by many Fortune 500 companies from a variety of different technical sectors was filed. The brief argues that by imposing the BRI standard in PGR, IPR and CBM review, the PTAB exceeded its limited rule-making authority, and that the BRI standard is contrary to the plain language and legislative intent of the AIA.

SAP’s brief is due May 1, 2014. Meanwhile, in the underlying district court litigation, the court has refused to stay the proceedings – namely the award of \$391 million – while the CBM appeals are ongoing. See *Versata Software, Inc. v. SAP America, Inc.*, Case No. 2:07cv153-RSP (E.D. Tex. April 21, 2014). The district court also held that the PTAB’s ruling on patent invalidity does not constitute an “extraordinary circumstance” warranting reversal of the jury verdict.

Venable will continue to monitor the progress of this appeal, including updates as to oral argument and final decision when reached.