

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 (MPT)
Patent 6,553,350

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

TIERNEY, *Administrative Patent Judge.*

FINAL WRITTEN DECISION
37 C.F.R. § 42.73

SAP filed a petition seeking a covered business method patent review of Versata's 6,553,350 ('350) patent pursuant to section 18 of the Leahy-Smith America Invents Act (AIA).¹ An oral hearing was held on April 17, 2013. This decision is a final written decision under 35 U.S.C. § 328(a) as to the patentability of the challenged claims. Based on the record presented, we hold that Versata's '350 claims 17, and 26-29 are unpatentable under 35 U.S.C. § 101.

I. Background

In 2007, Versata sued SAP for infringement of the '350 patent. The case proceeded to trial and a jury found infringement by SAP and awarded damages. Ex. 2039 (Jury Verdict). The district court denied SAP's post trial motion challenging the infringement verdict, but held a new trial on damages. In the second trial, the jury awarded lost-profits and reasonable royalty damages. The district court upheld those awards. Patent Owner Preliminary Response 7 ("Prel. Resp."), Paper 29.

Both parties appealed the district court's final judgment to the U.S. Court of Appeals for the Federal Circuit on October 11, 2011. *Versata Software, Inc. v. SAP America, Inc.*, Nos. 2012-1029, -1049. Of note, SAP did not appeal the district court's claim construction, and the validity of the '350 patent was not an issue on appeal. Prel. Resp. 8. The Federal Circuit affirmed the jury's infringement verdict and damages award but vacated and remanded a permanent injunction as overbroad. *Versata Software Inc. v. SAP America Inc.*, 106 USPQ2d 1649 (Fed. Cir. 2013).

SAP filed a petition with the United States Patent and Trademark Office ("Office") on September 16, 2012, challenging claims 17 and 26-29 of the

¹ Pub. L. No. 112-29, 125 Stat. 284 (2011).

'350 patent as unpatentable for failing to comply with 35 U.S.C. §§ 101, 102, and 112, 1st and 2nd paragraphs. Petition ("Pet."), Paper 1. Versata filed a patent owner preliminary response opposing the institution of the review. On January 9, 2013, the Patent Trial and Appeal Board ("Board") granted the petition and instituted the trial proceeding. The Board concluded that SAP demonstrated that claims 17 and 26-29 were more likely than not unpatentable under 35 U.S.C. §§ 101 and 102, but denied the petition as to 35 U.S.C. § 112, 1st and 2nd paragraphs. Decision on Institution of a Covered Business Method Patent Review ("Decision"), Paper 36.

SAP requested that the trial be expedited with respect to the patentability of Versata's claims under 35 U.S.C. § 101. Motion, Paper 40. Versata opposed the request, alleging that bifurcating the § 101 and § 102 issues had the potential to prolong the proceeding and increase costs, contrary to the purposes of the AIA. Opposition, Paper 42. SAP, however, agreed to forgo its challenge on the ground of unpatentability under § 102, if the Board were to enter the requested expedited schedule. Renewed Request, Paper 44. In light of SAP's agreement to forgo the § 102 challenge, the Board granted SAP's request to expedite the trial schedule. Decision Conduct of the Proceeding, Paper 45.

Versata filed a patent owner response to the petition, contending that the challenged claims are patentable under § 101 and that the Board had employed an incorrect claim construction standard in construing the '350 patent claims. Response ("PO Resp."), Paper 51. SAP's reply to the patent owner response maintained that the claims are unpatentable and that the Board had construed the claims properly. "Pet. Reply," Paper 58.

Both parties requested an oral hearing. *See* 35 U.S.C. § 326(a)(10) and 37 C.F.R. § 42.70(a). A hearing was held on April 17, 2013, a transcript of which appears in the record. Record of Oral Hearing, Paper 66.

II. Versata's '350 Patent²

Versata's '350 patent is directed to a method and apparatus for pricing products and services. Ex. 1001, '350 patent, 3:9-13. The central concept of the '350 patent involves hierarchies and the hierarchal arrangement of data. Ex. 1005, ¶ 20.

The '350 patent states that its “invention operates under the paradigm of WHO (the purchasing organization) is buying WHAT (the product).” The '350 patent, 3:24-25. An example of the WHO/WHAT paradigm is depicted in Figure 1 of the '350 patent below:

FIG. 1
PRIOR ART

WHAT WHO	486/33 CPU	486/50 CPU	486/66 CPU
ADAM	\$40	\$60	\$80
BOB	\$42	\$58	\$72
CHARLIE	\$44	\$68	\$92

² This background section appears also in the Decision, 3-5.

According to the '350 patent, the WHO/WHAT paradigm was known in the prior art. *Id.*, Fig. 1, 4:16-18. The '350 patent, however, states that prior art pricing tables for WHO/WHAT (customer/products) required large tables of data. *Id.*, 1:52-59.

The '350 patent invention is said to improve upon the prior art and reduce the need for large tables of data by arranging customers into a hierarchy of customer groups and products into a hierarchy of product groups. *Id.*, 3:24-27, 41-42. Specifically, in the '350 patent, WHO is defined by creating an organizational hierarchy of organizational groups, where each group represents a characteristic of the organizational group. *Id.* An example of an arrangement of an organization customer group is depicted below in Fig. 4A of the '350 patent:

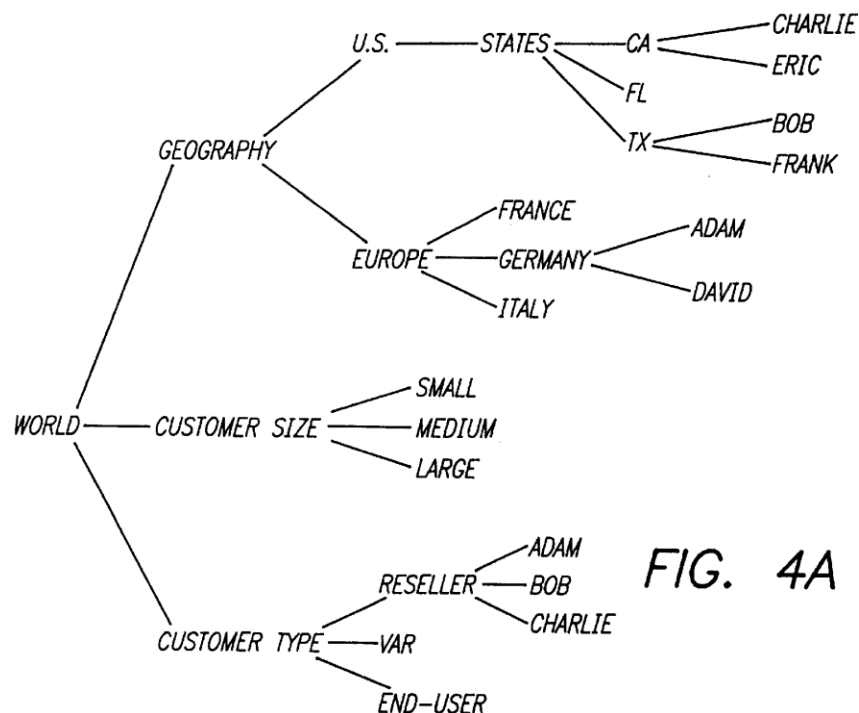


FIG. 4A

Similarly, a product group hierarchy for products (WHAT) is also defined. *Id.*, Fig. 4B, 4:26-28. Pricing information is then associated with the customer and

product groups. *Id.*, 8:17-25. As such, special pricing adjustments may be defined as applying to all members of a specific customer group or a specific product group. *Id.*, 3:26-49.

III. Analysis

SAP contends that the '350 claims 17 and 26-29 are unpatentable because the claims are abstract and not statutory subject matter for a patent under 35 U.S.C. §101. Pet. 16-21. Specifically, SAP states that Versata's claims are directed to the abstract ideas of arranging customer and product hierarchies and calculating a product price.

Versata contends that the Board should conclude that the '350 claims are not abstract, but instead are patent-eligible under § 101. Versata maintains that each of the claims, considered as a whole, is directed to a specific, practical and advantageous way to determine a product price. PO Resp. 1. According to Versata, both SAP's petition and the Board's Decision on Institution, failed to consider the claims as a whole and address each of their recited limitations, such as storing, retrieving, and sorting. PO Resp. 16-51. Additionally, Versata contends that the Board should not have applied the broadest reasonable interpretation standard for claim construction in this proceeding and, therefore, the Board's claim construction in the Decision instituting trial was in error. PO Resp. 51-67. Versata states that the correct claim construction was that used by the district court, which further supports the patent eligibility of Versata's challenged claims. PO Resp. 61-67.

SAP, as petitioner, bears the ultimate burden of proof that Versata's claims are unpatentable under § 101. To place SAP's and Versata's contentions in context, we begin our analysis by first discussing our construction of the

challenged claims. *Bancorp Serv., LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1273-74 (Fed. Cir. 2012) (“[I]t will ordinarily be desirable—and often necessary— to resolve claim construction disputes prior to a § 101 analysis, for the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter.”).

A. Claim Construction: The Broadest Reasonable Interpretation Standard

The Board’s Decision on Institution construed the challenged claims using the broadest reasonable interpretation (“BRI”) standard. Decision 6. SAP contends that the Board’s use of BRI was appropriate under the AIA statutes and rules. Pet. Reply 14-15. Versata disagrees and contends that the Board’s use of such a standard “was in error.” PO Resp. 61.

1. A Century of BRI at the Office

Versata states that claim construction is a question of law and that claim terms should be accorded only one definition: that which is based on a district court interpretation standard. PO Resp. 62. There are, however, two claim construction standards: the Office’s BRI construction and the district court standard set forth in *Phillips v. AWH*.³ The difference in standards generally arises from the ability of an applicant or patent owner in Office proceedings to amend their claims, and the fact that there is no presumption of validity before the Office.⁴ Through the use of the broadest reasonable interpretation standard, the Office is

³ 415 F.3d 1303, 1313 (Fed. Cir. 2005)(en banc).

⁴ Whereas a patent is presumed “valid” unless overcome by clear and convincing evidence before a district court, a petitioner’s burden before the Office is limited to proving “unpatentability” by a preponderance of the evidence. Compare 35 U.S.C. § 282(a) and § 326(e).

able to encourage inventors to amend their claims to remove uncertainties and over breadth of claim scope.

For at least a century, the Office has encouraged clear and unambiguous claim drafting by utilizing the broadest reasonable interpretation. For example, a 1906 Commissioner of Patent's Decision held that there is no better method of construing claims before the Office. Specifically, this early decision explains the rationale for BRI as follows:

No better method of construing claims is perceived than to give them in each case the broadest interpretation which they will support without straining the language in which they are couched. This method would seemingly give more uniform and satisfactory results than are obtained by methods largely in vogue – such, for example, as that of importing limitations from the specification according to the exigencies of the particular situation in which the claim may stand at a given moment. The method suggested also seems to have the advantage according in its results with the probable intentions of the inventor at the time when the claim is drawn. In presenting claims to the Office the object constantly sought is breadth. Where a limited meaning is intended when a claim is drawn, what possible objection can there be to imposing that meaning unmistakably upon the claim by its express terms? *That a claim which does not carry its true meaning on its face misleads those affected by the patent instead of guiding them to its true scope is alone sufficient reason why the Patent Office should refuse to recognize proposed limitations of claims which have not been clearly expressed therein.*

Podlesak and Podlesak v. McInnerney, 123(2) O.G. 1989, 1990 (Dec. Com. Pat. 1906, emphasis added). This standard of claim construction and its rationale have been upheld consistently by the Federal courts, including both the Court of Customs and Patent Appeals (“CCPA”) and the Federal Circuit. For instance, in 1932, the CCPA stated that:

After a patent has issued, and it no longer is possible for the patentee to control the phraseology of his claims, the courts will so interpret

them, if possible, as to protect him; but there is no reason, as we many times have observed, why an applicant in the Patent Office should not draw his claims to cover his actual invention only. For this reason, we have uniformly ruled that claims will be given the broadest interpretation of which they reasonably are susceptible. This rule is a reasonable one and tends not only to protect the real invention but to prevent needless litigation after the patent has issued.

In re Horton, 54 F.2d 961, 964-65 (CCPA 1932) quoting *In re Carr*, 297 F. 542, 543-44 (C.A.D.C. 1924); see also, *In re Kebrich*, 201 F.2d 951 954 (CCPA 1953) (stating that consideration of patentability requires use of broadest reasonable interpretation); *In re Prater*, 415 F.2d 1393, 1405-05 (CCPA 1969) (holding that the broadest reasonable interpretation is appropriate where party may amend the claims to obtain protection commensurate with the inventor's actual contribution to the art).

The use of the broadest reasonable interpretation standard applies to pre-issuance as well as post-issuance proceedings before the Office such as reissue and reexamination proceedings. Both the CCPA and the Federal Circuit have recognized that BRI serves an important public interest and that a key factor in its use is that patent owners before the Office are provided an opportunity to amend their claims and obtain appropriate coverage for their inventions with express claim language. See, e.g., *In re Reuter*, 670 F.2d 1015 (CCPA 1981) (holding that broadest reasonable interpretation is applicable in reissue proceedings); *In re Yamamoto*, 740 F.2d 1569 (Fed. Cir. 1984) (holding that broadest reasonable interpretation is applicable in reexamination proceeding).

The new AIA reviews before the Office, like reissue and reexamination proceedings, provide patent owners with an opportunity to amend their claims. See, e.g., 35 U.S.C. § 326(d). Thus, the recognized public interest that supports the

use of the broadest reasonable interpretation during reissues and reexaminations applies also to the new AIA post grant reviews. Specifically, as the cited authorities recognize, claims serve an important notice function.⁵ The use of the broadest reasonable interpretation encourages patent owners to remove ambiguities and to narrow their claims by amendment, such that the inventor's contribution to the art is expressed in clear, precise and unambiguous terms.⁶ Hence, consistent with the settled expectations of the past century, the Office has extended the use of the broadest reasonable interpretation to the new AIA reviews.

2. The Office's Adoption of BRI

Under the rulemaking authority provided for in the AIA, the Office, through notice and comment rulemaking, adopted the use of the broadest reasonable interpretation for all the new reviews. Thus, in covered business method patent reviews, this claim construction standard is required by 37 C.F.R. § 42.300(b), which reads as follows:

(b) A claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.

Versata contends that the Office, in promulgating this rule, exceeded its rulemaking authority provided for in 35 U.S.C. § 2(b)(2). PO Resp. 62. Versata's contention is unavailing, for it presumes that no other statutory authority exists for

⁵ See also, *White v. Dunbar*, 119 U.S. 47, 51-52 (1886) ("The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms.").

⁶ A patent owner may not amend an expired patent. In such situations, the Board will construe the claims by giving more weight to the prosecution history than provided for under the broadest reasonable interpretation standard.

this standard of claim construction other than the Office’s rulemaking authority under 35 U.S.C. § 2(b)(2). As discussed in the following sections, the AIA has provided the Office with new statutory and rulemaking authority, particularly with respect to post grant reviews, including covered business method patent reviews. *See, e.g.*, Title 35, Chapter 32.⁷

a. Post Grant Rulemaking Authority Under the AIA

To understand the Office’s expanded rulemaking authority, it is necessary to explore the evolution of the administrative *inter partes* reexamination process that was previously available for the review of issued patents. As will be seen, this evolution reveals Congress’ desire to develop a viable *inter partes* administrative system for patent review coupled with the necessary rulemaking discretion to establish and govern such an administrative system.

Congress established the *inter partes* reexamination as part of the American Inventors Protection Act of 1999 (“AIPA”), Pub. L. 106–113 §§ 4001-4808, 113 Stat. 1536 § 1501A et seq. (1999), (then codified as amended at 35 U.S.C. §§ 311-318, superseded by *inter partes* review, §§ 311-319). *Inter partes* reexamination was created to provide third parties an opportunity to participate in patent challenges before the Office. 145 Cong. Rec. S26983, S26984 (daily ed. Oct. 27, 1999) (statement of Sen. Hatch). The AIPA did not provide rulemaking powers specifically directed to *inter partes* reexamination. Accordingly, in order to regulate the conduct of the *inter partes* reexamination proceedings, the Office issued final rules on December 7, 2000 “under the authority given to the

⁷ For additional views further characterizing the AIA and rulemaking authority under the Act, *see* Sarah Tran, *Patent Powers*, 25 *Harv. J. L. & Tech.* 595, 662-73 (2012).

Commissioner of Patents and Trademarks by 35 U.S.C. 2(b)(2).” Rules to Implement Optional Inter Partes Reexamination Proceedings, 65 Fed. Reg. 76756, 76772 (Dec. 7, 2000).

Prior to the AIA, 35 U.S.C. § 2(b)(2) was said to be the “broadest of the Office’s rulemaking powers.” *Stevens v. Tamai*, 366 F.3d 1325, 1333 (Fed. Cir. 2004) (citing *Gerritsen v. Shirai*, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992)). This section provides that the Office may govern the conduct of the proceedings before it. 35 U.S.C. § 2(b)(2)(A). The Federal Circuit has held that “[t]o comply with section 2(b)(2)(A), a Patent Office rule must be ‘procedural’ –i.e., it must ‘govern the conduct of the proceedings in the Office.’” *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008). According to the Federal Circuit, a rule is substantive when it “effects a change in existing law or policy” which affects individual rights and obligations. *Id.* at 1336.

Prior to the enactment of the AIA, several attempts were made by Congress to reform patent law. For example, Congress introduced, but failed to pass, the Patent Reform Act of 2007 and the Patent Reform Act of 2009. These acts included a post grant review procedure that included the following rulemaking provision:

§ 326. Conduct of post-grant review proceedings

(a) IN GENERAL.—The Director shall prescribe regulations, in accordance with section 2(b)(2)—

(1) establishing and governing post-grant review proceedings under this chapter and their relationship to other proceedings under this title;

The Patent Reform Act of 2007, S. 1145 110th Cong. (2007) and the Patent Reform Act of 2009, S. 515 111th Cong. (2009). As explained in the Senate Judiciary Committee’s Report on the Patent Reform Act of 2009, while the committee recognized the importance of removing disincentives to current administrative

processes, the reviews were not to be used as tools for harassment and the Office was to address these potential abuses using its expanded procedural authority. S. Rep. No. 111-18, at 18 (2009). These predecessors of the AIA, however, would have limited the Office's new rulemaking authority to that provided in section 2(b)(2).

With the passage of the AIA, Congress sought to provide a viable alternative to challenging patents in district court litigation,⁸ and therefore, replaced *inter partes* reexamination with new adjudicative review proceedings. As part of this transformation, Congress bestowed new rulemaking authority on the Office to establish and govern the new reviews and the relationship of the reviews to other proceedings under title 35. *See* 35 U.S.C. §§ 316(a)(4) and 326(a)(4). In particular, the section 2(b)(2) restriction that appeared in the 2007 and 2009 bills was removed. As recognized in the AIA legislative history, Congress granted the Office rulemaking discretion to change existing examination policies such that the new review proceedings would be more adjudicative in nature.⁹ This grant of AIA

⁸ See, for example, the Summary of the Manager's Amendment adding section 18 to the AIA, which states:

Recent court decisions, culminating in last year's Supreme Court decision in *Bilski v. Kappos*, have sharply pulled back on the patenting of business methods, emphasizing that these "inventions" are too abstract to be patentable. In the intervening years, however, PTO was forced to issue a large number of business-method patents, many or possibly all of which are no longer valid. The Schumer proceeding offers a relatively cheap alternative to civil litigation for challenging these patents, and will reduce the burden on the courts of dealing with the backwash of invalid business-method patents.

157 Cong. Rec. S1367 (daily ed. Mar. 8, 2011).

⁹ *See* Senator Kyl's statement that:

post grant rulemaking authority is consistent with the recognition that the Office's establishment of a viable alternative for challenging patents required further rulemaking discretion than had been provided previously.

While granting the Office broad rulemaking authority, Congress sought to guide the Office's establishment of the new proceedings by providing certain minimum requirements. For example, in establishing the new proceedings the Office was required to promulgate rules setting forth the standards to institute a review, as well as standards and procedures for discovery and motions to amend claims. 35 U.S.C. § 326(a)(2), (5), and (9). Thus, the plain language of the AIA statutes provides the Office with authority exceeding that of merely setting forth "procedures."

As the Supreme Court has observed, "[Congress] does not . . . hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'n*s, 531 U.S. 457, 468 (2001). It is apparent from the plain language of the AIA that Congress has granted the Office new and expanded rulemaking authority to ensure the success of the new reviews.

b. Promulgation of Rule 37 C.F.R. § 42.300(b)

The AIA was enacted into law on September 16, 2011. Pub. L. 112–29, 125 Stat. 284 (2011). Prior to its enactment, then Director Kappos requested that the public provide comments to the Office regarding implementation of the AIA, including the new patent reviews. Numerous comments were filed in response to this request, including comments from intellectual property organizations, law

In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding.

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011).

firms, companies, and individuals.¹⁰

On February 10, 2012, the Office published a notice of proposed rulemaking concerning the Office's implementation of the transitional program for covered business method patent reviews. *See* Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080 (Feb. 10, 2012).¹¹ In this notice, the Office proposed adding 37 C.F.R. § 42.300(b), which is directed to the broadest reasonable interpretation. As explained in the notice:

This proposed rule would be consistent with longstanding established principles of claim construction before the Office. *See, e.g., In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004); *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984).

Id. at 7082. The notice further explains that the patent owner's ability to amend claims to avoid prior art distinguishes the Office proceedings from those of district court's. *Id.* Additionally, the notice identified the relevant statutory authority for the rules as including, among other things, 35 U.S.C. §§ 321-326 and 329. *Id.* at 7094.

The Office received numerous comments on the rules,¹² and on August 14, 2012, the Office issued its final rules. *See, e.g.,* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule, 77 Fed. Reg. 48680 (August 14, 2012). The final rules adopted 37 C.F.R. § 42.300(b) as set forth in

¹⁰ http://www.uspto.gov/patents/law/comments/aia_implementation.jsp

¹¹ The Office also provided notices of rulemaking for a consolidated set of rules relating to Board trial practice, specific rules for *inter partes* review, post grant review, derivations, definitions for covered business method patent reviews and a practice guide. *See* 77 Fed. Reg. 48734 (Aug. 14, 2012).

¹² Public comments on the AIA rules may be viewed at:
http://www.uspto.gov/aia_implementation/comments.jsp

the proposed rule above and identified the statutory basis for the adoption of the rule, how it was supported by the legislative history,¹³ and how the rule was consistent with the settled expectations arising from Federal Circuit precedent where a party is afforded an opportunity to amend claims. *Id.* at 48693. For example, as to the authority for 37 C.F.R. § 42.300(b), the final rules explained how the Office was required to enter final written decisions on patentability, 35 U.S.C. § 328, how the Office was required to set standards for instituting the proceedings and for amending claims, 35 U.S.C. § 326(a)(2) and (9), and that the Office was required to promulgate rules establishing and governing the proceeding and the relationship of the proceeding to other proceedings, 35 U.S.C. § 326(a)(4). *Id.* at 48697-98.

During rulemaking, the Office received comments for and against the adoption of the broadest reasonable interpretation standard.¹⁴ In response to

¹³ Senator Kyl stated:

This [district court] information should help the Office understand and construe the key claims of a patent. It should also allow the Office to identify inconsistent statements made about claim scope--for example, cases where a patent owner successfully advocated a claim scope in district court that is broader than the “broadest reasonable construction” that he now urges in an inter partes review.

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011)(emphasis added). *See also, San Huan New Materials High Tech, Inc. v. Int’l Trade Comm’n*, 161 F.3d 1347, 1355 (Fed. Cir. 1998) (“The legislative history shows that Congress was fully aware of the agency regulations and practices at the time of legislating in their area, and absent some special circumstance the failure to change or refer to existing practices is reasonably viewed as ratification thereof.”).

¹⁴ *See, e.g.,* Comments of Verizon, *et al.*, at 8 (April 9, 2012)(The Office should “confirm that challenged claims will be given their broadest reasonable construction in light of the specification of the patent in which it appears.”), and Comments of the Pharmaceutical Research and Manufacturers of America at 12

comments received, the Office explained in the final rules its consideration of the comments and provided detailed reasons for the adoption of the broadest reasonable interpretation standard. *Id.* at 48697-48699. For example, the Office interpreted the requirement to determine patentability as requiring the use of the broadest reasonable interpretation, as opposed to the district court standard of construing to preserve validity. Additionally, the responses to comments noted that, unlike district court adjudicative proceedings, patent owners are afforded an opportunity to amend their claims during the Office reviews. By encouraging patent owners to eliminate ambiguity through amendment, the use of the broadest reasonable interpretation standard encourages clarity in claim language, which serves the important public notice function.

Further, the responses noted that inconsistent results would become a major issue if the Office adopted a standard of claim construction other than the broadest reasonable interpretation for post grant reviews. Specifically, as in the present case where SAP has requested reexamination of the '350 patent in addition to this proceeding, the AIA contemplates that there will be multiple proceedings in the Office, and thus requires the Office to establish rules concerning the relationships between the various proceedings. Major difficulties would arise where the Office is handling multiple proceedings with different claim construction standards, as it could produce confusing results, which would be unhelpful to patentees, applicants, the public, and the system.

Versata's contention that the Office is limited to 35 U.S.C. § 2(b)(2) does not take into account the policy reasons for the use of the broadest reasonable interpretation or the well-settled expectations resulting from decades of case law

(April 10, 2012)(The Office should "adopt a claim construction approach similar to that used by courts.").

supporting the Office’s reliance on the standard to ensure clear and precise claim language.

We have reviewed Versata’s other contentions regarding the need to adopt the district court’s claim construction, but find them equally unavailing. For example, Versata contends that *stare decisis* requires the Board to apply the district court’s claim construction. Pat. Opp., 65. We disagree as appeals from this proceeding are exclusively to the Federal Circuit rather than to district courts. *See also, In re Trans Texas Holdings Corp.*, 498 F.3d 1290, 1295-98 (Fed. Cir. 2007). Versata also contends that the Board is not bound to apply the “BRI standard in every instance” and cites to 37 C.F.R. § 42.5. Pat. Opp., 64-65. While 37 C.F.R. § 42.5(b) allows the Board to waive or suspend a requirement under part 42, the discussion section of the rules make clear that this rule is intended to address procedural requirements, *e.g.*, waiving page limits, to permit the resolution of issues in a uniform and efficient manner. 77 *Fed. Reg.* 48612, 48616 (Aug. 14, 2012).

Clear, precise and unambiguous claims are as important now as they were a century ago.¹⁵ Clarity in claim scope is of the utmost importance because the claims set forth all to which the patentee is entitled while apprising the public of what is still open to them. *McClain v. Ortmayer*, 141 U.S. 419, 424 (1891); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730 (2002).

¹⁵ *See, e.g.*, Fed. Trade Comm’n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* (2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> and Comments of the Coalition for Patent Fairness, in response to the Request for Comments on Preparation of Patent Applications, available at: http://www.uspto.gov/patents/law/comments/qualappa_patent_coalition_20130415.pdf.

Accordingly, we agree with SAP and hold that the broadest reasonable interpretation standard is the one correct standard for post grant reviews.

3. Construction of Versata’s Claims

The Board’s decision to institute identified four claim terms for which construction was sought by the parties: “sorting the pricing information,” “the pricing information that is less restrictive,” “pricing type(s),” and “pricing information.” Decision 7. As discussed in the decision, the terms were given the following meanings:

Decision to Institute - Claim Construction	
Sorting the pricing information	Pricing information is ordered either before or after the information is retrieved. Decision 8-11.
The pricing information that is less restrictive	Information that is less specifically applicable to a product, a purchasing organization, an organizational group or a product group. Decision 11.
Pricing types and pricing adjustments	Class or category of pricing adjustments. Decision 12-14.
Pricing information	Information related to pricing. The definition comprises both price adjustments and denormalized price adjustments. Decision 15-17.

Generally, Versata contends that, to the extent the Board’s construction differs from that of the district court, the Board should have applied the district court’s claim interpretation as this interpretation was “advocated by both SAP and

Versata.”¹⁶ PO Resp. 52. SAP, however, contends that Versata’s disagreements with the Board’s constructions are “unfounded.” In particular, SAP states that Versata fails to justify the application of its narrower litigation definitions or to explain how the preferred embodiments of Versata’s specification overrides the Board’s construction based on the doctrine of claim differentiation. Reply 16-17. For this decision, we will construe each of the claim terms identified by the parties in turn.

a. Sorting the Pricing Information

The term “sorting the pricing information” appears only in the following limitation of claim 17 (emphasis added):

sorting the pricing information according to the pricing types, the product, the purchasing organization, the hierarchy of product groups, and the hierarchy of organizational groups;

This step is recited after a “retrieving pricing information” step, but before an “eliminating less restrictive pricing information” step.

The Board’s decision to institute adopted the district court’s construction of the term “sorting the pricing information.” Decision 8-9. Neither party disputes this construction. The parties, however, disagree as to when the pricing information is sorted. Decision 9, PO Resp. 52-61 and Reply 16-17.

In instituting the review, the Board held that the plain language of claim 17 did not require that the information be retrieved first and sorted. This was in contrast to Versata claim 1, which requires “sorting the retrieved information.”

¹⁶ Versata’s opposition omits the fact that it urged the district court not to construe the claims as limited to preferred embodiments, a construction that it now seeks the Board to adopt. Decision 14 (citing District Court Memorandum Opinion and Order Regarding Claim Construction, *Versata v. SAP*, No. 07-cv-00153, slip op. at 7-9) (May 19, 2009) (Ex. 1012).

Further, the Board credited the testimony of SAP's expert,¹⁷ Dr. Siegel, who testified that sorting the pricing information in the context of the '350 patent encompassed sorting either before or after the information is retrieved. Decision 9-11.

Versata contends that claim 17 requires "sorting" after "retrieving." PO Resp. 52-61. According to Versata, the intrinsic and extrinsic record demonstrates that a person of ordinary skill in the art would have understood that "the pricing information" referred to in the sorting step of claim 17 pertains to the "retrieved applicable pricing information." PO Resp. 53. Versata states that "any other interpretation would not be reasonable," as it is "generally the case that data stored in a data source must be retrieved from the data source *before* the data can be sorted." *Id.* at 53-54. Versata relies upon the testimony of its expert, Dr. Liebich, to support its construction. PO Resp. 53-54 (citing Ex. 2091, ¶¶ 123-128).

We agree with SAP that claim 17 does not itself impose a temporal limitation on when the pricing information is sorted. As SAP contends, Versata's arguments and expert testimony as to what is "generally" the case do not demonstrate that Versata sought to limit claim 17 in the way that claim 1 expressly was limited. *Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1314 (Fed. Cir. 2003) (holding that similar language did not require separate and consecutive performance of various steps).

Versata contends that the specification demonstrates that sorting must occur after retrieval. PO Resp. 55-57. We agree with Versata that Figure 15B of the '350 patent describes the use of the method where the sorting step occurs after

¹⁷ The field of the invention is computerized financial systems. *See, e.g.*, Ex. 1005, ¶ 16. A person of ordinary skill in the art would have at least a bachelor's degree in computer science and experience developing computerized financial systems. *Id.*, ¶ 18.

retrieving all pricing adjustments. *Id.*, and Ex. 1001, Fig. 15b, 4:62, 18:53-54 and 19:4-43. Yet, the '350 patent states explicitly that numerous specific details are set forth in the description, but that it would be apparent to one of ordinary skill in the art that the present invention could be practiced without the specific details.

Ex. 1001, 4:67-5:5. SAP's expert, Dr. Siegel, testifies that one of ordinary skill in the art would have understood that claim 17 "does not imply or require a temporal limitation forcing the sorting to occur after the retrieving." Ex. 1005, ¶ 98.

Versata's expert, Dr. Liebich, testifies that "it is **generally** the case that data stored in a data source must first be retrieved from the data source before the data can be sorted." Ex. 2091, ¶ 126 (emphasis added). Based upon the record presented, we find that one of ordinary skill in the art reading the '350 specification would have understood that retrieving then sorting was the preferred, but not the only, method of carrying out the invention. Accordingly, we hold that the '350 patent specification does not require retrieving then sorting.

We are not persuaded by Versata's arguments regarding extrinsic evidential support for its construction of sorting after retrieval. Specifically, the cited district court expert testimony does not dictate that sorting follows retrieving.¹⁸ Ex. 1018, 81-82.

We credit the testimony of SAP's expert, Dr. Siegel, and conclude that claim 17 does not require a temporal limitation forcing the sorting to occur after retrieving.

¹⁸ Versata's patent owner opposition cites to Ex. 2006 and 2064 as support for its proposition. PO Resp. 57-58. The cited portions of the Ex. 2006 trial transcript, however, do not correspond to the testimony of the experts in question. Additionally, the citation to Ex. 2064 trial transcript merely discusses Dr. Boyd's understanding of the Trilogy System and not the '350 patent.

b. The Pricing Information That Is Less Restrictive

In instituting this review, we adopted the district court’s construction that “the pricing information that is less restrictive” means information that is “less specifically applicable to a product, a purchasing organization, an organizational group or a product group.” Neither party alleges error in this construction.

c. Pricing Types and Pricing Adjustments and Pricing Information

The Board’s decision to institute construed the terms “pricing types” and “pricing adjustments” as meaning a class or category of pricing adjustments. Decision 12-14. The decision further defined the term “information related to pricing” as comprising both price adjustments and denormalized price adjustments. Decision 15-17. The Board’s construction differed from that of the district court in that the Board did not limit the claims to denormalized pricing adjustments where denormalized numbers are determined at run time. *Id.*

Versata urged the district court to construe these claim terms broadly and not limit the claims to preferred embodiments but, before this panel, urges that the district court’s narrow construction be adopted. PO Resp. 61-65. SAP contends that the Board’s construction was correct and that Versata has failed to justify application of the narrower litigation definition under BRI, or explain how a preferred embodiment could override the Board’s construction based on claim differentiation. Reply 17. We agree with SAP and, for the reasons provided above, we employ the broadest reasonable interpretation of the claims and adopt the claim constructions for the terms pricing types, pricing adjustments, and pricing information that are set forth in the decision to institute.

d. Data Source

The term “data source” appears in Versata independent claims 17, 27 and 29. For example, the term data source is used in claim 17 in the following limitation:

storing pricing information in a ***data source***, wherein the pricing information is associated, with (i) a pricing type, (ii) the organizational groups, and (iii) the product groups;

Versata contends that a person of ordinary skill in the art would have understood the term “data source” to mean a conventional or unconventional computer database. PO Resp. 27-28. Versata states that such a construction of the term is consistent with how the term was discussed in the ’350 specification. *Id.* at 28. SAP disagrees, citing the specification’s statement that “although the invention is discussed in terms of a ‘database,’ the invention can be implemented using any data source that may be different from a conventional database.” Reply 7 (citing Ex. 1001, 10:58-61).

We construe the term “data source” in claim 17 as requiring the use of a computer storage medium as the ’350 patent defines the field of the invention as “computer-based” pricing of products. However, even if we are incorrect, it would not alter our § 101 analysis, *i.e.*, the claim is unpatentable whether we adopt Versata or SAP’s construction.

B. Versata's Claims are Unpatentable Under 35 U.S.C. § 101

SAP challenges claims 17 and 26-29 as unpatentable under 35 U.S.C. § 101 stating that the claims are directed to an unpatentable abstract idea. Pet. 16.

Versata disagrees and maintains that its claims are directed to a specific, practical, and advantageous way to determine a product price using hierarchical groups of customers and products. PO Resp. 13-49.

1. § 101 Subject Matter Eligibility

The Supreme Court has made it clear that the test for patent eligibility under § 101 is not amenable to bright-line categorical rules. *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). Further, the Federal Circuit has recognized that it has been especially difficult to apply § 101 properly in the context of computer-implemented inventions. *CLS Bank Int'l V. Alice Corp. Pty. Ltd.*, 106 USPQ2d 1696, 1700 (Fed. Cir. 2013).

Our analysis begins with the statute. There are four broadly stated categories of patent-eligible subject matter: processes, machines, manufactures, and compositions of matter. 35 U.S.C. § 101. In addition, there are three judicially created exceptions to these four categories: laws of nature, natural phenomena, and abstract ideas. *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972). A brief review is provided below of the Supreme Court's jurisprudence on § 101 for these exceptions.

An abstract idea or law of nature itself is not patentable. To be patentable, a claim must do more than simply state the law of nature or abstract idea and add the words "apply it." *Mayo Collaboration Servs. v. Prometheus Labs, Inc.*, 132 S. Ct. 1289, 1294 (2012); *Benson*, 409 U.S. at 67. Yet, an application of a law of nature or abstract idea to a known structure or process may be deserving of patent

protection. *Diamond v. Diehr*, 450 U.S. 175, 187 (1981). The key question is, therefore, whether the claims do significantly more than simply describe the law of nature or abstract idea. *Mayo*, 132 S. Ct. at 1297. A claim is not patent-eligible where it merely recites a law of nature and adds additional steps that merely reflect routine, conventional activity of those who work in the field. *Id.* at 1298. Further, the “prohibition against patenting abstract ideas ‘cannot be circumvented by attempting to limit the use of the formula to a particular technological environment’ or adding ‘insignificant postsolution activity.’” *Bilski*, 130 S. Ct. at 3230 (quoting *Diehr*, 450 U.S. at 191-92).

In *Benson*, the Supreme Court considered a patent application that was directed to the programmed conversion of numerical information in general purpose digital computers. In particular, the Court considered two claims, with one, claim 8 reading as follows:

8. The method of converting signals from binary coded decimal form into binary which comprises the steps of
 - (1) storing the binary coded decimal signals in a reentrant shift register,
 - (2) shifting the signals to the right by at least three places, until there is a binary ‘1’ in the second position of said register,
 - (3) masking out said binary ‘1’ in said second position of said register,
 - (4) adding a binary ‘1’ to the first position of said register,
 - (5) shifting the signals to the left by two positions,
 - (6) adding a ‘1’ to said first position, and
 - (7) shifting the signals to the right by at least three positions in preparation for a succeeding binary ‘1’ in the second position of said register.

Benson, 409 U.S. at 73-74. The Court in analyzing the claims, noted that a general purpose computer is one that is “designed to perform operations under many different programs.” *Id.* at 65. Although claim 8 recited computer hardware

(“shift register”), the Court nevertheless determined that the method sought to be patented involved ordinary arithmetic steps that could be performed without the use of a computer or carried out in “existing computers long in use, no new machinery being necessary.” *Id.* at 68. The Court determined that the claims had no substantial practical application except in connection with a digital computer. The Court concluded that the claims sought to “pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself.” *Id.* at 71-72. Accordingly, the claims were held unpatentable under § 101.

In *Mayo*, the Supreme Court addressed the law of nature exception in considering claims covering medical diagnostic methods. The Court reaffirmed that patent eligibility should not depend simply on the draftsman’s art, without reference to the principles underlying the prohibition against patents for natural laws and abstract ideas. *Mayo*, 132 S. Ct. 1294 (quoting *Parker v. Flook*, 437 U.S. 584, 593 (1978)). The Court also stated that if a law of nature is not patentable, then neither is a process reciting that law of nature absent additional features demonstrating that the process is “more than a drafting effort designed to monopolize the law of nature itself.” *Id.* at 1297. The Court further recognized that purely “conventional or obvious” limitations are “normally not sufficient to transform an unpatentable law of nature into a patent-eligible application of such a law.” *Id.* at 1298. The Court expressed concern that there is a danger when a patented process amounts to no more than instruction to apply the natural law, or otherwise forecloses more further invention than the underlying discovery could reasonably justify. *Id.* at 1301. The claimed processes in *Mayo* were held unpatentable under § 101 as the Court determined they did not do more than apply the natural law. *Id.* at 1294.

2. Versata Claims 17 and 26-29 are Unpatentably Abstract

Versata's challenged claims are in substance directed to an apparatus and method for determining a price, *i.e.*, a method of calculating, the method being implemented on computer hardware. Claims 17 and 26-29 are reproduced in the attached Appendix. Generally, claim 17 is directed to a method of determining price, claim 27 is a computer-implemented method of determining a price, and claims 26 and 28 are computer-readable storage media comprising computer instructions to implement the methods of claims 17 and 28. Similarly, while claim 29 is directed to an "apparatus" for determining a price, the apparatus includes computer program instructions capable of performing the same method steps that are recited in claim 27.

SAP contends that Versata's claims are unpatentable under § 101 as they are centered on abstract ideas. Pet. 17. SAP states the abstract nature of the claims is demonstrated by the fact that the method steps can be performed in the human mind or by a human using a pencil and paper. *Id.* at 18. SAP further states that the claims merely recite "abstract ideas with nothing more than 'well-understood, routine, conventional activity' added." *Id.*, citing *Mayo*, 132 S. Ct. at 1294.

Versata disagrees with SAP's characterization of the claims. According to Versata, the claims recite statutory processes and machines under § 101 and the claims do not "preempt" any abstract idea. In particular, Versata states that the determination of whether its claims are directed to patent-eligible subject matter under § 101 requires an analysis of all the elements or steps in the claimed process. *See, e.g.*, PO Resp. 14-15.

We agree with SAP that each of challenged claims involves the use of an abstract idea: determining a price using organizational and product group hierarchies, which are akin to management organizational charts. The concept of

organizational hierarchies for products and customers is abstract as it represents a “disembodied concept,” a basic building block of human ingenuity. Similarly, determining a price is also abstract as it is essentially a method of calculating. Standing alone, an abstract idea does not represent patent-eligible subject matter. Accordingly, we must further analyze Versata’s claims to determine whether they incorporate sufficient meaningful limitations to ensure that the claims are more than just an abstract idea and not just a mere drafting effort designed to monopolize the abstract idea itself. *Mayo*, 132 S. Ct. at 1297.

a. Versata’s Claims Have No Substantial Practical Application Except in Connection with a Computer

Versata contends that its claims cannot be performed manually or mentally. *See, e.g.*, PO Resp. 33. According to Versata, the claims require the use of a computer because the claims recite computer hardware and the use of computer instructions. *Id.* Yet, claims do not become patentable under § 101 simply for reciting a computer element. *See Benson*, 409 U.S. at 68.

Versata’s expert, Dr. Liebich, testifies that there is no doubt that the claims require implementation on a computer. Ex. 2091, ¶¶ 68, 81, 90, 100, and 103. Dr. Liebich’s testimony is predicated on the fact that the claims recite computer hardware limitations. *Id.* During cross-examination, Dr. Liebich confirmed that the process steps themselves could be performed by pen and paper. Liebich Transcript, Ex. 1033, 119:4 – 143:10, Ex. 1029, and Ex. 1031. Based on the record presented, we conclude that while the challenged claims are drafted to include computer hardware limitations, the underlying process that is implemented on such hardware could also be performed via pen and paper.

Dr. Liebich testifies that from a practical standpoint the invention “would have no purpose if it were attempted to be performed mentally or with pencil and papers – *i.e.*, outside a computer.” *Id.* at ¶ 69. The mere recitation of computer implementation or hardware in combination with an abstract idea, however, is not itself a significant, meaningful limitation on the scope of the claims. Specifically, as apparent from *Benson*, implementation on a general purpose computer is not a meaningful limitation where there was “no substantial practical application except in connection with a digital computer.” *Benson*, 409 U.S. at 68 and 71-72. Thus, we analyze whether the claimed invention is carried out using existing computers long in use. *Id.*

b. General Purpose Computer Hardware and Programming
Are Used to Implement the Claimed Method Steps

The claimed invention of the ’350 patent requires only routine computer hardware and programming. The ’350 patent states that its invention may be implemented in *any* type of computer system or programming or processing environment. Ex. 1001, 5:55-58; Siegel Dep. Tr. Ex. 2090, 107:12-19. For example, the ’350 patent states that the invention’s method and apparatus allow prices to be determined on a laptop computer. *Id.* at 3:20-23. Accordingly, the ’350 patent makes clear that its contribution to the arts lies not in the type of computing device or processing environment employed. This is consistent with the fact that the ’350 specification lacks specificity as to the hardware aspects of the invention. Thus, as with the “shift register” in *Benson*, the recitation of generic general purpose computer hardware (processor, memory, storage) in the challenged claims represents routine, well-understood conventional hardware that fails to narrow the claims relative to the abstract idea. *Benson*, 409 U.S. at 65 (“The

general-purpose computer is designed to perform operations under many different programs.”).

Next, we look to the claims to determine whether they recite additional meaningful limitations beyond the basic abstract idea of determining a price using customer and product hierarchies on a general purpose computer.

c. Versata’s Claims Merely Add Insignificant,
Conventional and Routine Steps that are Implicit in the
Abstract Idea Itself

To be patent-eligible a claim reciting an abstract idea must add more than just insignificant, conventional or routine steps to the idea lest the claim effectively cover the abstract idea itself. *Cf., Mayo*, 132 S. Ct. at 1298. Thus, the claims must include meaningful limitations beyond the abstract idea itself.

SAP contends that Versata’s claims do not add anything beyond routine, conventional activities to the unpatentable abstract concepts. Pet. 18. The abstract nature of the claims is said to be confirmed by the fact that the claimed data arrangements and pricing calculations can be performed manually. *Id.*

Versata contends that patent eligibility must be evaluated considering each of the claim elements in combination, and that the challenged claims include specific separate and distinct steps that are not general or abstract in any way. *See, e.g., PO Resp.*, 15. For example, Versata states that SAP has failed “to address the storing, retrieving, sorting, eliminating and determining steps required by claim 17 and their interrelations with one another and with the arranging steps.” *Id.* at 16.

The parties’ experts disagree as to whether the appended steps are merely routine, conventional steps or reflect meaningful limitations. Dr. Siegel, SAP’s expert, testifies that besides the abstract ideas, the claims merely recite routine,

conventional activities. Ex. 1005, ¶ 49.¹⁹ In contrast, Dr. Liebich, Versata’s expert, testifies that the SAP R/3 pricing technology available at the time of the invention did not practice the combination of steps (storing, retrieving, sorting, eliminating, and determining) recited in the claims. Ex. 2091, ¶ 62. Dr. Liebich further testifies that he was not aware of any pricing technology in the marketplace at that time that performed the combination of steps. *Id.*

Patent eligibility is distinct from the question of whether or not the claims recite subject matter that was not in the marketplace at the time of the invention. *Flook*, 437 U.S. at 593 (“[Section 101] does not involve the familiar issues of novelty and obviousness that routinely arise under §§ 102 and 103.”).²⁰

We agree with SAP that Versata and Dr. Liebich fail to establish that the additional “specific” steps that are appended to the abstract idea provide meaningful limitations. The contention that the combination of the abstract idea and the specific steps represents an improvement in marketplace technology does not demonstrate that the additional steps are anything other than conventional, routine steps that are a consequence of implementing the abstract idea. Specifically, the Court in *Flook* held that a claim for an “improved” method is

¹⁹ Versata contends that Dr. Siegel failed to address the specific steps recited in claim 17. PO Resp. 17. Dr. Siegel’s cross-examination testimony demonstrates that he considered the specific steps in preparing his declaration. Ex. 2090, *e.g.*, 76:18 – 95:19. Additionally, nowhere does Versata identify specific, credible evidence to demonstrate that Dr. Siegel believed the additional steps to be anything other than conventional, routine steps that would commonly be used to implement the abstract idea.

²⁰ Additionally, although the issue is now withdrawn from consideration, the Board determined that, more likely than not, Versata’s claims lack novelty over the prior art R/3 2.2C product documentation, documentation that Dr. Liebich does not address when concluding that the additional steps were not in “practice.” *See, e.g.*, Decision 39; Ex. 2091, ¶ 62.

unpatentable where, putting the abstract formula to the side, there was no “inventive concept” in the claimed application of the formula. *Flook*, 437 U.S. at 594-595, n.18.²¹ Accordingly, even if the abstract idea and “specific” steps represent a marketplace improvement, the claims are not patent-eligible where the appended steps lack meaningful limitations that prevent the claim as a whole from covering the practical applications of the abstract idea.

Versata contends that there are many ways to practice the abstract concept of determining a price through arranging customer and product data hierarchies that fall outside the scope of the claims. PO Resp. 26-27. Yet, the fact that the claims could be drafted differently does not demonstrate that the additional limitations are meaningful. *Flook*, 437 U.S. at 590 (“A competent draftsman could attach some form of post-solution activity to almost any mathematical formula . . .”), 593 (allowing determination of patent-eligibility to depend on draftsman’s art would not serve the principles underlying the prohibition against patents for abstract ideas).

We credit the testimony of Dr. Siegel over that of Dr. Liebich and find that the additionally claimed steps of storing, retrieving, sorting, eliminating and receiving are well-known, routine, and conventional steps. *See, e.g.*, Ex. 1005, ¶¶ 44-49, Appendix C. This is consistent with Versata’s acknowledgment that the claims “in fact cover the ‘capability’ to execute a pricing procedure using hierarchical accesses to hierarchical arrangements of customer . . . and product . . . data.” Versata Federal Circuit Appeal Brief, Ex. 1011, 11.

²¹ Versata’s allegation that the claimed invention represents an improvement in the art is not consistent with the evidence of record. The challenged claims are not commensurate with the alleged improvements. For example, while Versata contends that its invention provides technological benefits for database tables and queries, its claims do not require the use of a database. *See* Pet. Reply 5-6.

We conclude that Versata's claims do not add meaningful limitations beyond the recited abstract idea and, in practical effect, preempt the abstract idea.

IV. Additional Matters

Versata filed a motion to seal Versata exhibit 2086, which is a unredacted copy of Dr. Siegel's deposition. Motion to Seal, Paper 55. Certain portions of Dr. Siegel's deposition include information designated "Confidential-Attorneys' Eyes Only Material" by SAP. We have reviewed exhibit 2086 and agree that good cause exists to grant the motion. 37 C.F.R. § 42.14. Accordingly, Versata exhibit 2086 shall remain sealed in its entirety.

Versata requested that the Board stay the currently pending reexamination of the '350 patent. In light of our final written decision, we decline to stay the reexamination.

V. Conclusion

This is a final written decision of the Board under 35 U.S.C. § 328(a). We hold Versata's claims 17, and 26-29 to be unpatentable under 35 U.S.C. §101. Specifically, 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.

VI. Order

In consideration of the foregoing, it is hereby:

ORDERED that claims 17 and 26-29 of the '350 patent are CANCELLED as unpatentable;

FURTHER ORDERED that the Board's determination on claim construction is binding on the patent owner in the reexamination;

FURTHER ORDERED that a copy of this decision is to be placed in the reexamination file; and

FURTHER ORDERED that Versata exhibit 2086 shall remain sealed in its entirety.

Case CBM2012-00001

Patent 6,553,350

PETITIONER:

Erika Arner

Finnegan, Henderson

Farabow, Garrett & Dunner, LLP

SAP-PGR@finnegan.com

and

J. Steven Baughman

Ropes & Gray, LLP

Steven.baughman@ropesgray.com

PATENT OWNER:

Nancy Linck

Martin Zoltick

Rothwell, Figg, Ernst & Manbeck, PC

nlinck@rfem.com

mzoltick@rfem.com

Claims Appendix

Versata '350 claims 17, and 26-29 read as follows:

17. A method for determining a price of a product offered to a purchasing organization comprising:

- arranging a hierarchy of organizational groups comprising a plurality of branches such that an organizational group below a higher organizational group in each of the branches is a subset of the higher organizational group;

- arranging a hierarchy of product groups comprising a plurality of branches such that a product group below a higher product group in each of the branches is a subset of the higher product group;

- storing pricing information in a data source, wherein the pricing information is associated, with (i) a pricing type, (ii) the organizational groups, and (iii) the product groups;

- retrieving applicable pricing information corresponding to the product, the purchasing organization, each product group above the product group in each branch of the hierarchy of product groups in which the product is a member, and each organizational group above the purchasing organization in each branch of the hierarchy of organizational groups in which the purchasing organization is a member;

- sorting the pricing information according to the pricing types, the product, the purchasing organization, the hierarchy of product groups, and the hierarchy of organizational groups;

- eliminating any of the pricing information that is less restrictive; and
- determining the product price using the sorted pricing information.

26. A computer readable storage media comprising: computer instructions to implement the method of claim 17.

27. A computer implemented method for determining a price of a product offered to a purchasing organization comprising:

- retrieving from a data source pricing information that is (i) applicable to the purchasing organization and (ii) from one or more identified organizational groups, within a hierarchy of organizational groups, of which the purchasing organization is a member;

- retrieving from the data source pricing information that is (i) applicable to the product and (ii) from one or more identified product groups, within a hierarchy of product groups, of which the product is a member; and

receiving the price of the product determined using pricing information applicable to the one or more identified organizational groups and the one or more identified product groups according to the hierarchy of product groups and the hierarchy of organizational groups.

28. A computer readable storage media comprising: computer instructions to implement the method of claim 27.

29. An apparatus for determining a price of a product offered to a purchasing organization comprising:

a processor;

a memory coupled to the processor,

wherein the memory includes

computer program instructions capable of:

retrieving from a data source pricing information that is (i) applicable to the purchasing organization and (ii) from one or more identified organizational groups, within a hierarchy of organizational groups, of which the purchasing organization is a member;

retrieving from the data source pricing information that is (i) applicable to the product and (ii) from one or more identified product groups, within a hierarchy of product groups, of which the product is a member; and

receiving the price of the product determined using pricing information applicable to the one or more identified organizational groups and the one or more identified product groups according to the hierarchy of product groups and the hierarchy of organizational groups.