VERSATA DEVELOPMENT GROUP, INC. v. SAP AMERICA, INC., Appeal No. 2014-1194 (Fed. Cir. July 9, 2015). Before Newman, Plager, and Hughes. Appealed from the Patent Trial and Appeal Board.

Background:

Versata owned a patent directed to a method and apparatus for pricing products based on the identities of both the product and the buyer. After Versata sued SAP for infringement of its patent, SAP petitioned the PTAB to conduct a covered business method review (CBM review) on the grounds that claims of Versata's patent were unpatentable for failure to comply with 35 U.S.C. §§ 101, 102, and 112. The PTAB instituted the CBM review, and eventually canceled the claims as being unpatentable under §101. Versata appealed the PTAB's decision to the Federal Circuit.

Issues/Holdings:

Did the PTAB err in: 1) instituting the CBM review; 2) applying the "broadest reasonable interpretation" rule in constructing the claims; or 3) canceling the claims on §101 grounds in the CBM review? No, affirmed.

Discussion:

The Federal Circuit initially addressed whether the PTAB's decision to institute the CBM review was subject to judicial review. The Federal Circuit held that the PTAB's determination of the limited issue of whether a patent is a CBM patent is reviewable after a final written decision is issued, but cannot be challenged with an interlocutory appeal. Judge Hughes dissented on this point, arguing that no decision supporting an initiation of CBM review should be judicially reviewable.

The Federal Circuit next affirmed the PTAB's determination that Versata's patent was a CBM patent. In support of this holding, the Federal Circuit applied the AIA definition of a CBM patent, which is a patent that claims performing operations used in the practice, administration, or management of a financial product or service. The Federal Circuit held that the method of pricing claimed in Versata's patent was financial in nature, and noted that patents not directed to the financial services industry may still be considered CBM patents. The Federal Circuit also held that Versata's patent was not an excepted "technological invention," reasoning that Versata's patent does not solve a technical problem using a technical solution. The Federal Circuit refrained from further defining the term "technological invention."

The Federal Circuit held that the PTAB's application of the broadest reasonable interpretation standard for construing the claim terms was proper, consistent with the recent *Cuozzo* decision regarding claim construction in *inter partes* review.

The Federal Circuit held that §101 is a legitimate ground for invalidating a patent under CBM review. The Federal Circuit then affirmed the PTAB's determination that the Versata patent claims were unpatentable under §101, applying the *Alice* test. The Federal Circuit held that Versata's claims were directed to the abstract idea of determining price, and that the generic computer implementation claimed was not sufficient to "transform" this abstract idea into a patentable application.

© 2015 OLIFF PLC