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Versata Development Group v. SAP America: Federal Circuit Affirms First CBM Final Written Decision

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Takeaway: The Federal Circuit found that whether a patent is eligible for CBM review is reviewable on appeal as part of the review of the final written decision.

In its Opinion, the United States Court of Appeals for the Federal Circuit affirmed the Final Written Decision of the Board in CBM2012-00001, finding all of the challenged claims (17 and 26-29) of the '350 Patent unpatentable under 35 U.S.C. § 101. The '315 Patent discloses a method and apparatus for pricing products in multi-level product organizational groups.

The first issue that the Court discussed was whether the Court has jurisdiction to review the issue of whether the patented invention qualifies for "covered business method" treatment, which was determined at the institution stage, when reviewing a final written decision issued in a covered business method review. The Court stated that it was reviewing the merits of the Final Written Decision, as the Court cannot review whether the Board should have instituted CBM review. The Court noted this is the first case challenging the scope of § 324(e), however, several recent cases decided by the Court construed a parallel statutory bar. The Court then reviewed those decisions, as well as two decisions regarding denials of stays where the Court cautioned district courts from reviewing the Board's determination to institute trial. The Court then noted that in the district court action challenging the authority to institute review, the USPTO argued that the issues decided by the Board at institution are preserved for review at the time of appeal to the Federal Circuit. Therefore, the Court decided to entertain whether the Board could institute CBM review in this case.

The Court then decided that it may review whether the '350 Patent is a CBM patent covered by § 18 of the AIA. The Court noted that just because whether a patent is eligible for CBM review at both institution and final determination does not mean that it cannot be reviewed. Further, when the congressional intent is not clear, there is a general presumption favoring judicial review of rights-changing administrative action. The Court also reviewed the legislative history and found that the statute itself supports review of whether a patent is eligible for CBM review. The Court also noted that pre-AIA case law allowed the review of limitations on the scope of reexamination authority upon final decision.

The Court then discussed whether the '350 Patent is a "covered business method patent." The Court noted that a covered business method patent is "a patent that claims a method or

corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service" that does not include patents for technological inventions. The Court noted that the Board declined to interpret the statute as requiring that the invention literally comprehend a financial product or service, but instead found that the '350 Patent claims a product that is complementary to a financial activity and relates to monetary matters, which is enough to be considered financial products and services. The Court agreed with the USPTO that the definition of "covered business method patent" is not limited to products and services of only the financial industry. The Court also notes that the USPTO is entitled to substantial deference with regards to how it defines its mission. Regarding whether the '350 Patent recites a technological invention, the Court agreed with the Board that the '350 Patent does not disclose a technological invention. Therefore, the Court affirmed the Board's determination that the '350 Patent is eligible for CBM review.

The Court then reviewed the claim construction standard. The Board applied the "broadest reasonable interpretation" standard. The Court affirmed the Board's use of the broadest reasonable interpretation standard, and found that the Board's constructions were proper.

Next, the Board turned to the merits, and whether the challenged claims are unpatentable under 35 U.S.C. § 101. The first question was whether the Board is authorized to invoke § 101 in CBM review. The Court noted that its opinions as well as the Supreme Court's established that § 101 challenges constitute validity and patentability challenges, and that it would be form over substance to conclude that § 101 is not a ground available in CBM or PGR proceedings. The Court also noted that eliminating § 101 as a ground of review would be a substantial change of the law as understood and would require clear direction by Congress. Therefore, the Court found that Congress has permitted a § 101 challenge in CBM review.

Regarding whether the claims are unpatentable under § 101, the Court noted that the Board found that the claims all involve the abstract idea of determining a price using organization and product group hierarchies, which are akin to management organizational charts. The Court reviews questions concerning compliance with § 101 *de novo*. The Court agreed with the Board that the challenged claims are directed to the abstract ideas of determining a price, and that none of the claims have sufficient additional limitations to transform the nature of any claim into a patent-eligible application of an abstract idea.

Judge Hughes wrote separately, concurring-in-part and dissenting-in-part. He agrees with the majority that the Board properly held the challenged claims invalid under § 101 and that the Court did not need to decide whether the Board can apply the broadest reasonable interpretation rule. However, he disagreed that the Court has the authority to review the initial determination that the patent at issue is eligible for CBM review because the plain language of the statute prohibits judicial review of the Board's decision to institute post-grant review.

***Versata Development Group, Inc. v. SAP America, Inc., SAP AG*, No. 2014-1194 Dated: July 9, 2014**

Before: Judges Newman, Plager, and Hughes

Written by: Judge Plager Opinion concurring in part and dissenting in part by: Judge Hughes

Related Proceedings: *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255 (Fed. Cir. 2013); *Versata Computer Indus. Solutions, Inc. v. SAP AG*, 564 F. App'x 600 (Fed. Cir. 2014); *Versata Dev. Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013)

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