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# The First Final Written Decision Can 112 Issues be Raised for Amended Claims? Statistics on IPRs and CBMs

*Patrick A. Doody  
Pillsbury Winthrop Shaw Pittman LLP  
Northern Virginia Office*

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# Overview

- First Final Decision by PTAB
  - BRI is Proper Construction Standard
  - Claims Invalid under 35 U.S.C. §101
- Can PTO or Petitioner Raise 112 issues for Substitute claims in IPR?
- Some interesting Facts and Statistics

# *Sap America, Inc. v. Versata Development Group, Inc.*, Case CBM2012-00001

- The First Final Written Decision Under 37 C.F.R. §42.73
- The First Covered Business Method Review conducted
- CBM filed on First Day – September 16, 2012
- Oral Hearing on April 17, 2013
- Final Decision on June 11, 2013

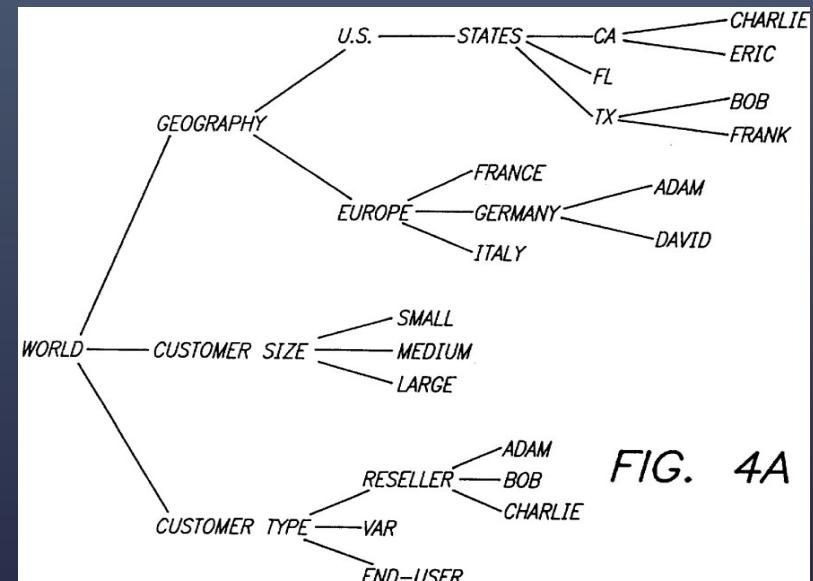


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## *Sap v. Versata – Cont'd*

- Patent-at-issue
  - U.S. Patent 6,553,350 ("the '350 patent")
  - Entitled "Method and Apparatus for Pricing Products in Multi-Level Product and Organization Groups"
  - The central concept of the patent involves hierarchies and the hierarchical arrangement of data for pricing information.
  - By arranging customers into a hierarchy of customer groups and products into a hierarchy of product groups, the '350 patent supposedly reduced the need for large tables of data.



## *Sap v. Versata* continued

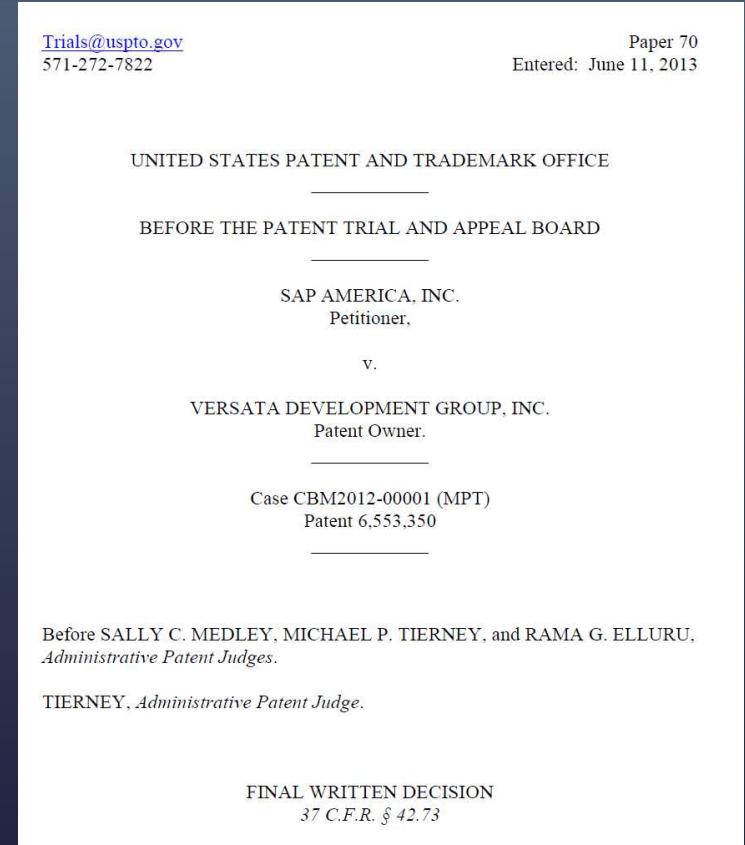
- Procedural Background
  - Versata sued SAP for infringement of the '350 patent in district court.
    - After 2 jury trials, SAP was found to have infringed the patent and was assessed damages.
    - Both parties appealed.
  - The Federal Circuit affirmed the jury's verdict and damages
    - SAP found liable for \$345 Million in damages.

## *Sap v. Versata* continued

- After Losing in District Court and while on appeal at the Federal Circuit, SAP filed the very first petition for Covered Business Method Review under the Transitional Program
- SAP's Petition challenged claims 17 and 26-29 of the '350 patent for failing to comply with 35 U.S.C. §§ 101, 102 , and 112, 1<sup>st</sup> and 2<sup>nd</sup> paragraphs.
  - PTAB granted the petition for the §§ 101 and 102 grounds.
  - SAP agreed to forgo the § 102 challenge for an expedited trial.
  - Oral hearing was held on April 17, 2013.

# *Sap v. Versata* continued

- PTAB issued the Final Written Decision on June 11, 2013
- Two Issues
  - Claim Construction Standard – BRI
  - Validity under §101



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## *Sap v. Versata* continued – Standard is BRI

- The Board held that the proper standard for construing claims in a post grant review proceeding at the USPTO is the Broadest Reasonable Interpretation (BRI) Standard.
  - Historic use of BRI at the USPTO
    - The rationale for BRI is that it encourages clear and unambiguous claim drafting in proceedings where claims can be amended, including post-issue proceedings at the USPTO.
    - BRI has been used for over 100 years and the public interest behind the BRI standard also applies for post-grant reviews under AIA.

## *Sap v. Versata* continued – Standard is BRI

- USPTO's adoption of BRI under AIA
  - AIA gave new statutory and rulemaking authority to the USPTO, particularly with respect to post grant reviews.
  - Board stated that BRI was required by 37 C.F.R. § 42.300(b), which was enacted through notice and comment rulemaking.
    - “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.”

## *Sap v. Versata* continued

- The Board construed four claim terms using the BRI standard.
- The Board held that the challenged claims were unpatentable under 35 U.S.C. § 101.
  - The claims recite unpatentable abstract ideas.
  - The claims do not provide enough significant meaningful limitations to transform the abstract ideas into patent-eligible applications of the abstract ideas.
    - Directed to general purpose computer hardware.
    - Did not add anything beyond insignificant, routine, and conventional steps.

# Can 112 Issues Be Raised In IPR for Amended Claims?

- In Inter Partes Reexamination – if patent owner amends its claims, third party requester can object to the claims and propose rejections of the amended claims under 35 U.S.C. §112.
  - 37 C.F.R. 1.906 – “Claims in an inter partes reexamination proceeding will be examined on the basis of patents or printed publications and, with respect to subject matter added or deleted in the reexamination proceeding, on the basis of 35 U.S.C. 112.” See MPEP 2658.
- No corresponding provision exists for Inter Partes Review.

# Can 112 Issues Be Raised In IPR for Amended Claims?

- 35 U.S.C. §311(b) limits IPR review to patents and printed publications applied under 35 U.S.C. §§102 and 103.
- A patentee desiring to amend claims during an IPR must move to do so, and identify Section 112 support in the motion - 37 CFR § 42.121(b)(1) (requiring the motion to identify the “support in the original disclosure of the patent for each claim that is added or amended”); see also 35 U.S.C. § 316(d)(1).
- Patent Office Trial Practice Guide (Section II.H) states: “Petitioners may respond to new issues arising from proposed substitute claims including evidence responsive to the amendment.”
- No rules appear to suggest that Petitioners can raise 112 issues.

# Can 112 Issues Be Raised In IPR for Amended Claims?

- APJ ruling in *Idle Free Systems v. Bergstrom*, IPR2012-00027 reveals that PTAB is taking a restrictive view on permitting patent owner to amend its claims:
  - “An inter partes review is more adjudicatory than examinational, in nature. See *Abbott Labs v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013). If a patent owner desires a complete remodeling of its claim structure according to a different strategy, it may do so in another type of proceeding before the Office.”
- The PTAB appears to make a distinction between inter partes reexamination and inter partes review with respect to amending the claims.
- Will the same distinction apply to Petitioner’s ability to object to amended claims on the basis of 112?

## PTAB has raised 112 Issues Sua Sponte

- In *Liberty Mutual v. Progressive Casualty*, CBM2013-00002, the PTAB instituted review, and included a proposed rejection to some claims as indefinite and lacking written description without Petitioner raising the issue (Patent Owner canceled those claims via amendment instead of challenging PTAB's authority).
- 112 issues are permissible in Post Grant Review and Covered Business Method Review
- But if PTAB has the authority to issue a proposed rejection of claims without being requested to do so, can PTAB reject amended claims in an IPR under 35 U.S.C. §112?
- Can PTAB sua sponte reject original claims over prior art?

# Importance of SAP v. Versata BRI ruling

- In the *Liberty Mutual* case (CBM2013-00002), the 112 issue was raised by the PTAB due to its construction of the claims under the BRI standard
- These claims may have sustained a validity attack under 112 if construed by a district court using a narrower claim construction standard.
- Given the restrictions on a patent owner's ability to amend claims, (*Idle Free Systems*, IPR2012-00027) should BRI be the standard?
- Some argue that given the limited ability to amend, the justification for the BRI standard, which is typically applied during examination where applicants (or patentee in the case of reexamination) have many opportunities to amend, does not exist.

## Some Interesting Facts and Statistics

- As of today, 318 IPRs filed and 36 CBMs.
- As of this week, 112 decisions to grant or deny trial have been rendered
- 101 have been granted – 90%
- But only on 22% of the proposed grounds
- 11 have been denied – 10%
- 11 have been granted on all proposed grounds – 10%
- 89% of IPRs and CBMs filed to date have been related to litigation or other IPR or CBMs.
- 7 have been terminated due to settlement





# Questions?

**Patrick Doody**

Tel: 703.770.7755

Email: [patrick.doody@pillsburylaw.com](mailto:patrick.doody@pillsburylaw.com)

[www.pillsburylaw.com/AIA](http://www.pillsburylaw.com/AIA)