

## **First Completed Review Under AIA Procedures Confirms the Patent Office as an Efficient Alternative to District Court Litigation**

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Last week, just nine months after the America Invents Act (“AIA”) created several new mechanisms for parties to challenge the validity of patents at the Patent Office in adversarial, post-grant proceedings, the Patent Trial and Appeal Board (“PTAB”) issued its first “final written decision” on a petition under one of the new procedures. Following this first decision, in *SAP America v. Versata Development Group*, litigants may give more consideration to using the PTAB as an alternative forum for challenging a patent’s validity.

SAP filed its petition on September 16, 2012 under the new “covered business methods patent” challenge provision, alleging invalidity of five claims of a Versata patent. After instituting review (on some but not all grounds) on January 9, 2013, the PTAB heard oral argument on the remaining validity challenges just three months later, on April 17, 2013. The PTAB’s written decision last week followed less than two months after the argument. From start-to-finish, the PTAB completed the contested validity challenge in just nine months, confirming its ability to resolve petitions efficiently, and well within the statutorily-mandated one-year time frame.

The ability of the PTAB to resolve validity challenges efficiently and inexpensively, within one year, is an attractive benefit for accused infringers seeking to avoid the expense and burden of a prolonged district court litigation. This first PTAB decision may also give rise to arguments that district court litigation should be stayed in favor of the demonstrated efficiency of a PTAB proceeding. For companies entering new markets, a challenge at the PTAB will likely be considered as an efficient mechanism to challenge patents before an infringement suit is filed, and as a possible alternative to seeking opinions of counsel concerning a patent’s invalidity.

### **Proceedings Show Efficiencies**

Thus far, the published pre-hearing decisions in other post-grant proceedings have also suggested that the review challenges are being conducted efficiently. In March, for example, the PTAB issued its first discovery decision—in *Garmin v. Cuozzo*—denying a patent holder’s request for extensive discovery concerning objective indicia of non-obviousness, among other information. Such decisions rejecting broad discovery bids suggest that discovery in the new review proceedings will in fact be much less onerous, and less expensive, than in the district courts.

The *SAP v. Versata* decision also reflects the PTAB’s willingness to consider issues independent of earlier court rulings or verdicts. In this case, Versata previously sued SAP for patent infringement in Federal District Court in 2007, winning a \$345 million jury verdict in 2011. SAP appealed that infringement verdict unsuccessfully to the Federal Circuit (the jury’s finding of validity of the patent claims under the Best Mode requirement was not appealed to the Federal Circuit).

Indeed, the proceedings in the *SAP v. Versata* case evidence that the PTAB is conducting a careful and reasoned approach to asserted validity challenges. The PTAB was asked by SAP to consider only whether the claims covered patent ineligible abstract ideas, an issue that recently divided the *en banc* Federal Circuit in *CLS v. Alice*.

### **Streamlined Hearings Get to Core of Dispute**

The transcript of April’s oral argument reveals that hearings before the PTAB will be streamlined in an effort to get to the core of the dispute, much more akin to traditional Interference proceedings rather than a trial in the district court. In this case, the parties were afforded one hour each at the hearing to argue based on the record and submitted declarations and depositions. The argument included

significant questioning from the panel (primarily Judge Tierney) around the legal issues in dispute.

The PTAB's "final written decision" carefully addressed a morass of recent precedent concerning patent eligibility under 35 U.S.C. § 101, coming to the conclusion that the Versata claims covered abstract ideas and therefore were not patent eligible. The decision was based both on the PTAB's analysis of the case law, and also on the fact that the PTAB credited SAP's expert witness over Versata's expert.

## Standards Used Give Good News to Challengers

Another notable precedent set by the first decision in *SAP v. Versata* is that the PTAB will apply the "broadest reasonable interpretation" standard when construing patent claims. This standard provides challengers an additional reason to seek to litigate validity before the PTAB, rather than under a district court's claim construction. The "broadest reasonable interpretation" standard is the same standard used by patent examiners evaluating applications and reexaminations, and is good news for challengers since a broadly construed claim is more likely to include the asserted prior art.

The new review procedures created by the AIA are not limited to "covered business method patents" such as the Versata patent challenged by SAP. In September 2012, the AIA-created procedures for Inter-Partes Review also took effect, permitting adversarial proceedings challenging the validity of any issued patent under 35 U.S.C. §§ 102 (anticipation) and 103 (obviousness) based on printed publications. In the first six months since the process became available in September 2012, the Patent Office received 167 petitions seeking Inter-Partes Review. It is expected that Inter-Partes Review proceedings will follow procedures and scheduling similar to the recently concluded *SAP v. Versata* case.

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