

No. 13-716

IN THE
Supreme Court of the United States

SAP AMERICA, INC. AND SAP AG,
Petitioners,

v.

VERSATA SOFTWARE, INC., VERSATA DEVELOPMENT
GROUP, INC., AND VERSATA COMPUTER INDUSTRY
SOLUTIONS, INC.,
Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether both courts below erred in ruling that the trial record supported the jury's factual determination that SAP's software and source code, as shipped, met every limitation of the asserted patent claims without modification by the customer.

2. Whether the Federal Circuit properly declined to address challenges to the expert's methodology insofar as they were framed as challenges to admissibility where SAP conceded it was not challenging the testimony's admissibility on methodological grounds and had waived any such challenge below.

3. Whether the Federal Circuit was required to stay this patent infringement action under the Leahy-Smith America Invents Act where SAP did not seek a stay until after the Federal Circuit had issued its opinion on the merits, and the four statutory factors each weigh against the requested stay.

**PARTIES TO THE PROCEEDING BELOW AND
RULE 29.6 STATEMENT**

All parties to the proceeding below are named in the caption.

Respondents Versata Software, Inc., Versata Development Group, Inc., and Versata Computer Industry Solutions, Inc. are wholly owned subsidiaries of Versata Enterprises, Inc., which itself is a wholly owned subsidiary of Trilogy, Inc.

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BRIEF IN OPPOSITION

STATEMENT

Respondent Versata is an Austin-based enterprise software company and owner of U.S. Patent 6,553,350 (the '350 patent). Petitioner SAP competes with Versata. This case arises from a long-running marketplace dispute that entered the court system after SAP incorporated Versata's patented invention into its products.

I. STATUTORY AND REGULATORY FRAMEWORK

A. The Patent Act

Under the Patent Act, any person who invents a "new and useful process, machine, manufacture, or composition of matter" may obtain a patent. 35 U.S.C. §101.

Under § 271(a), “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States * * * infringes the patent” and is liable as a direct infringer. *Id.* § 271(a). Induced and contributory infringement are covered in § 271(b) and (c).

In an infringement action, invalidity is an affirmative defense that must be proved by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011). As with any ordinary affirmative defense, invalidity defenses can be waived. See, *e.g.*, Fed. R. Civ. P. 8.

B. The Post-Grant Review Process And Stay Requests

The Patent Act authorizes parties to petition the Patent & Trademark Office (PTO) to reconsider a patent’s validity. See, *e.g.*, 35 U.S.C. § 321 (post-grant review). While such administrative actions may result in a patent’s cancellation, they do not stop litigation automatically. Even a successful defense before the PTO cannot override a final court decision. Consequently, these alternative proceedings may present a race to the finish line. *Moffitt v. Garr*, 66 U.S. 273, 283 (1881); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1332, 1340 (Fed. Cir. 2013).

In 2011, Congress established a special, transitional procedure for challenging “covered business method patents,” or “CBM” patents. Leahy-Smith America Invents Act, Pub. L. 112-29 § 18, 125 Stat. 284 (2011) (AIA). The statute grants the PTO limited jurisdiction (until 2020) to reconsider the validity of such patents. *Id.* § 18(a)(3)(A). A primary goal of the legislation was to provide a cost-saving alternative to litigation. See 157 Cong. Rec. S1363-S1364 (daily ed. Mar. 8, 2011) (Sen. Schumer).

The transitional scheme addresses requests to stay infringement litigation during CBM review, enumerating four criteria to govern that decision:

(A) whether a stay, or the denial thereof, will simplify the issues in question and *streamline the trial*;

(B) whether *discovery is complete* and whether a *trial date* has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce *the burden of litigation on the parties and on the court*.

AIA § 18(b)(1) (emphasis added) (reproduced Pet. App. 90a). The AIA also provides a right to “immediate interlocutory appeal” from stay decisions with “de novo” review in the Federal Circuit. *Id.* § 18(b)(2).

Discussing those provisions, Senators Pryor and Leahy made clear that they authorized *trial-court* stays, not stays on or after appeal:

Mr. PRYOR. Would the Senator *agree* that in a case in which the validity of the patent has been upheld by a district court but *the case remains on appeal*, that *this amendment would likely not affect the pending appeal*?

Mr. LEAHY. I would. The patent may still be subject to the proceeding, but since the court did not hold the patent invalid or un[en]forceable, *it would not likely have an effect on the pending appeal*.

157 Cong. Rec. S1360, S1363 (daily ed. Mar. 8, 2011) (emphasis added). Senator Schumer then confirmed that

the four-factor statutory test constitutes “the exclusive set of factors that courts are to consider when granting stays.” *Ibid.*

II. PROCEEDINGS BELOW

A. The '350 Patent

This case concerns an invention that dramatically improved software used to calculate customized prices for prospective customers. Before the invention, software generally stored a host of pricing factors—information about customers, products, volumes, *etc.*—in segregated database tables, which required pricing engines to query tables one by one for relevant information. Pet. App. 5a. A seller “with ten thousand products and ten thousand purchasers would need pricing tables with one hundred million entries.” *Ibid.* That approach was highly inefficient, could delay the calculation of prices “for several days,” and “often caused lost sales.” *Ibid.*

In the mid-1990s, Versata’s Tom Carter developed an unconventional solution to that problem. C.A. App. 1069-77, 1094-95. He invented a hierarchical pricing engine that took advantage of the hierarchical data structures used by large companies to organize pricing information. Pet. App. 5a-6a. The invention allowed customer and product hierarchies to be represented within the pricing tables themselves and allowed users to retrieve and process countless potential adjustments in as little as one “access” or pass. That offered “dramatic improvements in performance,” *id.* at 6a, greater flexibility, and easier maintenance, C.A. App. 3133-39.

Carter was awarded two patents—U.S. Patent 5,878,400 ('400 patent) and U.S. Patent 6,553,350 ('350 patent). This case concerns claims 26, 28, and 29 of the '350 patent. Those claims involve “computer instructions to implement” specified hierarchical search processes

and hardware with “computer program instructions capable of” performing those processes. ’350 patent, col. 21:61-62, 22:13-21. The ’400 patent—no longer at issue—uses different claim language. Rather than claiming “computer instructions” to implement, it claims “computer readable program code *configured to cause*” the specified hierarchical search processes. *E.g.*, ’400 patent, col. 23:17, 22, 27 (emphasis added).

B. Versata’s Product And Competition With SAP

Versata sold a highly successful enterprise software product—“Pricer”—that captured the invention. Pet. App. 6a. Pricer was lauded as a “breakthrough” and “very innovative.” *Ibid.* From 1995 to 1998, Versata sold Pricer to scores of companies, such as IBM, Lucent, Motorola, and Hewlett-Packard. *Ibid.* For such “Tier 1” companies—which represented the technology’s “sweet spot,” C.A. App. 3163—Pricer commanded a per-customer average of \$5 million in revenue and \$3 million in profit. Pet. App. 6a.

SAP sold its flagship product, Enterprise Resource Planning (ERP) software, to companies for financial, accounting, procurement, and other functions. Pet. App. 7a. Other software applications are often run together with SAP’s software to enhance or replace its embedded functions. Although SAP’s software has long included pricing functionality, SAP’s customers often purchased Pricer as a “bolt on addition” to replace SAP’s software’s pricing functionality. Pet. App. 6a; C.A. App. 1287.

When Pricer was released, SAP’s pricing functionality suffered the problems that Carter’s invention solved: It was slow, inflexible, and difficult to maintain. C.A. App. 8465, 8563-64. SAP’s own sales force eventually started recommending Pricer over SAP’s bundled pricing functionality. *Id.* at 9162. As one SAP witness con-

ceded, SAP's pricing software simply "couldn't compete" with Pricer. *Id.* at 3991. Large customers began "turning off the pricing functionality in their [SAP] ERP systems and deciding to use [Versata's] Pricer as the sole pricing repository." *Id.* at 1083.

SAP considered purchasing Pricer's source code, C.A. App. 9158, but instead decided to investigate Pricer to develop a pricing engine that would work "just like * * * Pricer, but as a[n] SAP product!" *Id.* at 8475, 2178, 3998. In 1997, SAP met with Versata and some of Versata's largest customers to discover "more about * * * Pricer's capabilities." *Id.* at 3181-83, 4110-25, 8464-65. SAP directed its development engineers that their "main focus" should be to "stop [Versata] and build market share in the [sales pricing engine] market," with a "product that is competitive with * * * Pricer." *Id.* at 8476-77, 8540.

SAP's scheme worked. SAP launched its own hierarchical-access pricing engine in October 1998, bundling it with its enterprise platforms. Pet. App. 7a. SAP told its customers that SAP's prior "classical access" pricing engine "not only [took] a great deal of time, but * * * also reduce[d] system performance and force[d] the system to use a rigidly fixed sequence of accesses." C.A. App. 8430. The new engine, in contrast, worked just like Pricer. *Id.* at 8430, 8475. SAP bundled its new engine into its core software "to discourage the use of 3rd party components (Trilogy),"¹ C.A. App. 8479, and it had precisely that effect: It "destroyed [Versata's] market," and Versata's sales "win-rate" "dropped from 35 percent to 2 percent." Pet. App. 7a.

¹ Versata operated under the name Trilogy at that time.

C. The District Court Proceedings

Versata filed this infringement action against SAP in 2007. The case was tried to a jury in August 2009 on both the '350 and '400 patents.

SAP initially developed an invalidity theory under 35 U.S.C. § 101, see Dkt. 223 at 16, but abandoned that defense. SAP never asserted the patent was invalid under 35 U.S.C. §§ 101-103 in dispositive motions, at trial, or in its requests for post-trial relief. SAP declined to present these issues to the jury, C.A. App. 63-68, 198-205, or on appeal, *id.* at 11250-54. SAP's petition does not claim it raised invalidity under § 101 before the trial court or in its merits briefs on appeal below.

1. *The First Trial.* Versata presented extensive evidence that SAP's products infringe the '350 patent as shipped. Detailed expert review of the source code for SAP's products showed that its as-shipped software contained the "computer instructions" necessary to perform every requirement (or "limitation") for each asserted claim. See Versata C.A. Br. 23-34 (discussing the source code proof and five additional layers of evidence supporting the direct infringement finding). SAP's engineers and documents confirmed that SAP's source code included those instructions. Versata C.A. Br. 26-27.²

Versata's expert presented a demonstrative data setup as a check to "confirm that [his] infringement theories were correct." C.A. App. 1373. He explained

² Versata's expert testified that source code constitutes both "instructions" and "software" under the district court's claim construction. C.A. App. 1434 ("source code is how computer programmers write the instructions that tell the computers what to do"); *id.* at 1441 ("source code" constitutes "computer instructions that are written by SAP's programmers").

that he “set up the SAP accused products to test them in operation,” and the test confirmed that SAP’s products were capable of performing every claimed operation. *Id.* at 1509. SAP’s own expert testified that SAP’s software was not designed to be used “as shipped out of the box with no data setup.” *Id.* at 2505-09.

Although SAP argued that its software cannot access “customer and product hierarchies without added computer instructions,” Pet. App. 11a, Versata’s expert disagreed. He testified that his data setup did not modify SAP’s software in any respect: “I did data entry based on standard SAP user interfaces. I don’t think that’s modifying the product.” C.A. App. 1607. He rejected SAP’s position that his demonstrative setup involved “creating computer instructions”—“No, sir, not at all.” *Id.* at 1605, 1372-73. To the extent SAP now asserts otherwise, Pet. 3, the jury resolved that issue against SAP. The jury found that SAP infringed the ’350 and ’400 patents, awarding \$138,641,000 in damages. C.A. App. 198-205.

2. *Post-Trial Motions.* The district court denied SAP’s motion for judgment as a matter of law on non-infringement of the ’350 patent, finding substantial record evidence that the “computer source code, as shipped by SAP,” directly infringed the asserted claims. Pet. App. 33a. “Versata’s expert,” the court noted, “testified that no modification of SAP’s source code was required.” *Ibid.* “Indeed, on cross-examination, even SAP’s expert admitted that * * * SAP’s ‘computer software * * * is capable of’” the relevant operations “‘without any modification to that source code.’” *Ibid.*

The district court granted SAP judgment as a matter of law on the ’400 patent. That patent required that there be “program code configured to cause” the claimed operations. The district court interpreted “configured to

cause” as requiring the source code “to perform the operations recited in the claims without modification *or configuration.*” Pet. App. 8a, 32a. The court also granted SAP’s motion for a new trial on damages based on intervening Federal Circuit decisions. *Id.* at 9a.

3. *The Second Trial.* “The second trial focused on damages.” Pet. App. 9a. Before the second trial, however, SAP released a software patch that supposedly eliminated future infringement. The jury was thus also required to determine whether SAP continued to infringe. *Ibid.*

The jury found that SAP did continue to infringe. Pet. App. 87a. As the district court observed in denying post-trial relief, “SAP did not remove or change a single line of infringing code * * * ; did not change anything about the infringing pricing engine * * * ; did not simply go back to its pre-infringement ‘classical access’ solution * * * ; and allowed any infringing access sequence saved before its patch to remain ‘fully functional.’” C.A. App. 48.

The jury awarded damages of \$260 million in lost profits plus \$85 million in reasonable royalties. Lost-profit damages are typically appropriate whenever there is “a reasonable probability that, ‘but for’ the infringement, [the patentee] would have made the sales that were made by the infringer.” *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir.) (en banc), cert. denied, 116 S. Ct. 184 (1995). Although SAP made approximately 1,380 infringing sales during the damages period, Versata limited its lost-profits claim to large “Tier 1” customers, which comprised Pricer’s principal market. C.A. App. 44-45, 50, 4225-27. Satisfying the four factors of *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978), Versata proved that Pricer sales to Tier 1 SAP customers generated millions

in profits; that demand for the patented functionality persisted throughout the damages period; and that Tier 1 SAP customers used the infringing engine extensively. C.A. App. 47-48, 3133-41, 3481-82, 3643-44.³ Versata also showed (and SAP did not contest on appeal) that there were no acceptable non-infringing alternatives and that Versata could make the lost sales. *Id.* at 48-49; SAP C.A. Br. 53-54. SAP made 435 relevant infringing sales to Tier 1 customers during the damages period. C.A. App. 44, 3721-22, 4238, 3746. Versata’s expert reduced the figure to account for the fact that, before infringement, Versata’s historical “win-rate” was 35%. *Id.* at 45-46, 3747-48. He derived a lost-profits figure of \$285 million. *Id.* at 45-45, 3734-42. The jury awarded \$260 million.

The district court denied SAP’s motion for judgment as a matter of law on infringement, the lost-profits award, and the reasonable-royalty award. The district court added pre-judgment interest; issued an injunction to protect Versata from future harm; and entered final judgment. Pet. App. 50a, 86a-90a.

D. The Federal Circuit’s Decision

The Federal Circuit affirmed in relevant part and reversed in part not relevant. Pet. App. 1a-29a.

1. *Infringement.* The Federal Circuit rejected SAP’s contention that its as-shipped products did not in-

³ SAP claims that no one, apart from Versata’s expert, was shown to have practiced the ’350 patent. Pet. 7, 11, 33. Not so. As the district court confirmed, Versata proved that “SAP’s customers used the accused products in an infringing manner.” C.A. App. 47-48. Versata presented evidence that *half* of SAP’s surveyed Tier 1 customers used hierarchical access along with customer and product hierarchies, which more likely than not indicated use in the claimed manner. C.A. App. 3481-82, 3643-45, 1544-45.

fringe because they lacked the requisite “computer instructions.” Pet. App. 11a-14a. “Portions of the record clearly support the jury’s conclusion that SAP’s accused products infringe the asserted claims without modification or additional computer instructions.” *Id.* at 11a. SAP simply “misinterprets the claim language” by improperly attempting to exclude “source code” from the meaning of “computer instructions.” *Id.* at 13a.

The court further held that SAP “misinterprets the expert’s data setup.” Pet. App. 14a. The court explained that, when the user need only “activate the functions programmed into a piece of software,” the software can be infringing, as the user “is only activating the means already present in the underlying software.” *Ibid.* Software might not infringe “simply because it is possible to alter it in a way that would satisfy all the limitations in a patent claim,” but there is a difference between merely activating the underlying software and modifying it. *Ibid.* In this case, “Versata’s expert * * * presented evidence that the [SAP] code, without modification, was designed to provide the claimed functionality,” and he “did not alter or modify SAP’s code in order to achieve the claimed functionality.” *Id.* at 14a-15a.

2. *Lost Profits.* The Federal Circuit also rejected SAP’s sufficiency challenge to Versata’s lost-profits calculation. Pet. App. 17a-24a. The court observed that SAP had waived any challenge to the *admission* of the testimony of Versata’s damages expert based on his methodology. *Id.* at 17a. Despite that waiver, SAP repeatedly framed its challenge as one of admissibility, not sufficiency. *Id.* at 18a (argument that expert’s “opinion should have been excluded from evidence” and “should not have been admitted”). To that extent, the court ruled that SAP’s arguments were improper. Because “SAP has not appealed a *Daubert* ruling,” arguments

that “by SAP’s own admissions, boil down to the admissibility of evidence” were not properly before the court. *Id.* at 18a-19a.

The Federal Circuit nonetheless addressed SAP’s sufficiency challenge under the governing standard. Pet. App. 19a-24a. It addressed SAP’s claims that there was no evidence of demand during the relevant period, *id.* at 19a-20a; that there were no sales during the relevant period, *id.* at 20a; that Versata’s expert used unrealistic assumptions about demand and price elasticity, *id.* at 21a-24a; that Versata failed to account for market forces other than infringement, *id.* at 22a-23a; and that the award failed to reflect “market or economic variables,” *id.* at 19a-23a. The court also rejected SAP’s argument that Versata’s expert used “multiple markets” in his analysis. *Id.* at 9a, 17a-18a. The court explained that, for “lost profits, Versata focused on Pricer sales it lost to *Tier 1 SAP customers* * * * and it put forward evidence regarding demand, the absence of noninfringing alternatives, and the capacity to sell Pricer *in this market.*” *Id.* at 9a (emphasis added).

3. *Rehearing.* On May 31, 2013, SAP sought rehearing. The Federal Circuit denied rehearing without dissent on August 14. Pet. App. 84a-85a.

E. SAP’S STAY REQUEST

On June 17, 2013—*after* the Federal Circuit ruled against it—SAP for the first time asked for a stay of proceedings pending CBM proceedings before the PTO. SAP proposed that the stay remain in place, and the already-issued Federal Circuit decision be frozen, until the CBM proceeding is litigated to finality on appeal at some unknown point in the future. SAP Motion to Stay 19 (App. Dkt. 93-1).

The motion was prompted by a not-yet-fully-litigated PTO decision in the CBM proceeding that was, at the time, not even final in the PTO. SAP had initiated that proceeding in September 2012 after its second loss in district court. The sole issue in the CBM proceeding is whether Versata's patent is patent-eligible under 35 U.S.C. §101. In this case, however, SAP waived that very defense.

The CBM case is hotly contested. Versata has challenged the proceeding because (among other things) the '350 patent is not a "covered business method" patent eligible for CBM review; SAP's §101 challenge falls outside the proceeding's scope; and principles of claim and issue preclusion foreclose CBM proceedings in light of the prior entry of final judgment in this litigation. See Pat. Owner's Prelim. Resp. 10-45, 61-80. Versata also disputes that its patent is so "abstract" as to be ineligible for protection under §101.

Nonetheless, on June 11, 2013, a 3-member panel of administrative judges declared the '350 patent to be unpatentably "abstract" under §101. Pet. App. 92a-134a. Versata timely filed a notice of appeal, and the appeal is awaiting docketing at the Federal Circuit. The decision will be reviewed *de novo*. *In re Ferguson*, 558 F.3d 1359, 1363 (Fed. Cir. 2009), cert. denied, 130 S. Ct. 3541 (2010).⁴

REASONS FOR DENYING THE PETITION

None of the three questions presented warrants review. The first, which purports to concern the scope of

⁴ An APA challenge to the PTO's assertion of jurisdiction, originally filed in district court, is on appeal to the Federal Circuit as well. *Versata Dev. Grp., Inc. v. Rea*, No. 14-1145 (Fed. Cir.).

direct infringement, is not properly presented; SAP merely seeks to challenge the concurrent factual findings of both courts below. As to its second question presented, SAP urges that the Federal Circuit erroneously refused to consider its *Daubert* objections in considering the sufficiency of the evidence. But the Federal Circuit merely accepted SAP's own concession, in briefing and at oral argument, that it was attempting to raise an otherwise waived *Daubert* challenge to the admissibility of the expert's testimony; it cast no doubt on circuit authority (including its own) regarding the availability of sufficiency review. Indeed, the Federal Circuit conducted a proper sufficiency review. To the extent the Federal Circuit allegedly misapplied Fifth Circuit law, the Fifth Circuit can correct that misapplication without any need for this Court's intervention.

SAP also challenges the Federal Circuit's failure to stay this infringement action under the Leahy-Smith America Invents Act (AIA)—where SAP never sought a stay until *after* the Federal Circuit affirmed the verdict on appeal. The issue is neither substantial nor worthy of this Court's review. SAP's request that this Court issue the first published appellate decision addressing the new stay provisions of the AIA is inconsistent with this Court's status as a court of review, not first view. The four factors the AIA directs courts to consider when addressing stay requests point unanimously against a stay. And the issue on which SAP seeks review—whether the Federal Circuit should stay appellate proceedings after having already decided the appeal—is unlikely to recur.

I. THE FIRST QUESTION PRESENTED DOES NOT WARRANT REVIEW

Asserting that the decision below “eviscerates the statutory distinction in 35 U.S.C. 271 between direct and indirect infringement,” Pet. 17, SAP asks the Court to

address whether §271(a) authorizes “direct liability on software manufacturers for their customers’ alterations and additions,” *id.* at 19. That question is not properly presented. It is premised on the same misreading of the factual record that both courts below soundly rejected. Review is unwarranted in any event.

A. The Issue Is Not Presented Because Two Courts Have Rejected SAP’s Factual Premise

SAP’s argument proceeds from the unfounded factual assertion that its software does not infringe “as shipped,” but instead must be modified by users. But both lower courts expressly found (as a “pure factual issue,” Pet. App. 14a) that SAP’s software, as shipped, *does* infringe—that its “inherent functionality” satisfies every claim limitation. *Id.* at 12a.

1. The Federal Circuit could not have been clearer. The evidence, the court ruled, “clearly support[s] the jury’s conclusion that SAP’s accused products infringe the asserted claims *without modification or additional computer instructions.*” Pet. App. 11a (emphasis added). The Federal Circuit cited evidence showing that the infringed functionality was built into the source code. *Id.* at 12a. And it recognized that Versata’s expert, by simply doing a “data setup” using SAP’s provided interfaces, demonstrated that the “accused products all included” the necessary source code. *Id.* at 12a. That demonstration “confirmed his theory that the accused software was capable of performing the claimed functionality by making the software perform the function *without modifying the software.*” *Id.* at 11a-12a (emphasis added). The customer merely needed to “activ[ate] functions already present in the software.” *Id.* at 15a. The computer source code, “*without modification,* was designed to

provide the claimed functionality.” *Id.* at 14a (emphasis added).⁵

The district court reached the same conclusion. Rejecting SAP’s motion for judgment as a matter of law, the district court found substantial evidence that the “computer source code, *as shipped by SAP*,” infringed the asserted claims of that patent. Pet. App. 33a (emphasis added). “Versata’s expert,” the court noted, “testified that no modification of SAP’s source code was required.” *Ibid.* “[O]n cross-examination,” moreover, “*even SAP’s expert* admitted that he believed that SAP’s ‘computer source code, *as shipped by SAP*, is capable of” the relevant operations “‘without any modification to that source code.’” *Ibid.* (emphasis added).

Given those “concurrent findings of fact” by two courts, there is no basis for a third case-specific review in this Court. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 336 U.S. 271, 275 (1949); see also Gressman *et al.*, *Supreme Court Practice* 272 (10th ed. 2013). SAP nevertheless insists that the Federal Circuit upheld direct infringement because “SAP’s software, *as modified by Versata’s expert*, performed the claimed functionality, even though ‘Versata did not prove that SAP’s software, as shipped to the customer’ could do so.” Pet. 20-21 (quoting Pet. App. 13a). But SAP does not quote a portion of the opinion that sets forth the panel’s ruling. SAP quotes the panel’s description of *SAP’s argument*, as the

⁵ SAP maintains that the court’s reliance on SAP’s “instructions” to its customers reflects that the court was focused on “SAP’s intent,” a factor relevant only to *indirect* infringement. Pet. 22-23. But Versata used those “instructions” only to prove that the infringing functionality was built into the source code, as those explanatory notes made clear.

full quote makes clear. See Pet. App. 13a (“*Instead, [SAP] claims that Versata did not prove that SAP’s software, as shipped to the customer, infringed the ’350 Patent.*”) (omitted words emphasized). When the Federal Circuit actually ruled, it reached the opposite conclusion, holding that “SAP’s accused products infringe the asserted claims without modification or additional computer instructions,” *id.* at 11a, and “Versata’s expert did not alter or modify SAP’s code in order to achieve the claimed functionality,” *id.* at 15a.

In rejecting SAP’s argument, the Federal Circuit warned SAP that it had “misinterpret[ed] the expert’s data setup.” Pet. App. 14a. But SAP persists in the same misinterpretation here.⁶ And the Federal Circuit found sufficient evidence apart from the expert’s demonstration. The demonstration merely “confirmed” the expert’s determination, based on his review of the source code and other evidence, that the software “was capable of performing the claimed functionality.” *Id.* at 11a-12a.

2. As a result, this case presents no opportunity for this Court to rule that a “product, including software, directly infringes only if it ‘satis[fies] all the limitations of a patent claim.’” Pet. 25 (quoting *High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1555 (Fed. Cir. 1995)). Both courts below found

⁶ The conclusion that Versata’s expert did not modify the “computer instructions” was amply supported by the record. He testified that he entered “data” into the relevant database tables using “standard data entry screen[s] from SAP.” C.A. App. 1373-74, 1509-11, 1608-09. SAP’s engineer referred to these items as “datastructure” rather than “computer instructions.” *Id.* at 2632-33, 2665. SAP documentation also characterizes condition types, access sequences, and pricing procedures as “data” or “master data.” *Id.* at 8431, 7238.

that SAP's software satisfies all the limitations of the '350 patent claims. The court of appeals invoked the same *High Tech* decision SAP cites for the same principle (compare Pet. 20, 25, with Pet. App. 14a); it faithfully applied that standard; and it rejected SAP's argument: "SAP's accused products infringe the asserted claims," it held, "without modification or additional computer instructions," as "the code, without modification, was designed to provide the claimed functionality." Pet. App. 11a, 14a.

SAP all but concedes that, given those findings, infringement was proven. SAP agrees that §271(a) applies where the claimed functions are "already present in the underlying software,' which the user merely 'activates.'" Pet. 20 (quoting *Fantasy Sports Props., Inc. v. Sports-Line.com, Inc.*, 287 F.3d 1108, 1118 (Fed. Cir. 2002)). That precisely describes this case. SAP built the infringing feature—the patented hierarchical-access functionality—into the source code.

SAP may be arguing that user conduct here constitutes "modification" rather than "activation" of "computer instructions" even if the source code is not modified. But that sort of fact-bound claim, which turns on the meaning and application of "computer instructions," plainly does not warrant this Court's review. SAP's effort to convert the fact-bound decision below into something more is understandable but unavailing. Further review is unwarranted.

B. SAP's Claim Of Conflict With *Deepsouth* Is Factbound, Waived, And Meritless

Those same considerations doom SAP's contention (Pet. 19-22) that the infringement findings in this case are contrary to *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972).

Deepsouth involved an unassembled device that could *not* perform the claimed functionality until its separate pieces were collected and combined by a user abroad. 406 U.S. at 524, 528-529. This Court held that, under the circumstances, the manufacturer did not directly infringe under §271(a). *Id.* at 528-529. Here, by contrast, the court of appeals explicitly found that the accused software, *as is*, “was capable of performing the claimed functionality.” Pet. App. 12a. In other words, no assembly was required to render SAP’s software infringing—its “inherent functionality” satisfied every claim limitation. Two courts have found that “the code, without modification, was designed to provide the claimed functionality.” *Id.* at 14a. *Deepsouth* has no bearing here.

This case would be a singularly inappropriate vehicle for reviewing the issue in any event. SAP did not challenge the district court’s ruling as contrary to *Deepsouth* when it filed its merits brief in the Federal Circuit. That case was absent from briefing until it appeared in a single footnote in SAP’s rehearing petition. Had SAP timely invoked a conflict with *Deepsouth*, the panel would have been able to explain how its disposition is consistent with a proper understanding of §271(a). Absent “exceptional” circumstances, however, this Court will not grant review on “questions not pressed or passed upon below.” *Youakim v. Miller*, 425 U.S. 231, 234 (1976) (quotation marks omitted). And it routinely declines to decide issues without the benefit of a lower-court opinion: “Prudence” dictates “awaiting * * * the benefit of * * * lower court opinions squarely addressing the question.” *Yee v. City of Escondido*, 503 U.S. 519, 538 (1992).

For similar reasons, the decision below is not “poised to wreak havoc on the software industry” by holding manufacturers responsible “for their customers’ altera-

tions and additions.” Pet. 19. The panel specifically found that infringement turned on SAP’s software alone, *not* any downstream “alterations [or] additions.” And the panel applied the same “fundamental principles of direct infringement”—even citing the same case law—that SAP accuses the panel of overlooking. See p. 11, *supra*.

Indeed, invoking those very principles, the district court granted judgment as a matter of law on the ’400 patent (as favorably recounted by the court of appeals), because a limitation of that patent required “configuration” that would be performed by the user.⁷ That ruling illustrates the limited nature of this disposition, which turns not on law but facts. The “expectations of an entire industry,” Pet. 25, are not so easily unsettled.

II. SAP’S CHALLENGE TO LOST PROFITS DOES NOT WARRANT REVIEW

On this record, SAP cannot dispute that Versata suffered grave financial harm when SAP introduced its infringing product. When introduced, Versata’s “Pricer” so outperformed SAP’s product that, in the mid- to late-1990s, scores of SAP customers spent millions to buy Pricer as a bolt-on addition. See pp. 5-6, *supra*. But when SAP bundled its infringing engine into its products, it “destroyed [Versata’s] market.” Pet. App. 7a.

⁷ Unlike the ’350 patent, the claims in the ’400 patent require that the software be “configured” to perform the claimed operations. Relying on that patent-specific language, the district court *granted* SAP judgment as a matter of law because SAP’s product was not “configur[ed]” on its own, but rather had to be configured through the population of data and the like by Versata’s expert. Pet. App. 32a. That ruling confirms that the courts below applied precisely the principles of law SAP pressed; they just determined that, in the case of the ’350 patent, the evidence satisfied those principles.

Following an extensive sufficiency review, the trial court concluded that “[e]very element of Versata’s lost profits claim was * * * based on and drawn from the historical record, and the jury’s lost-profits award falls well within the range supported by the evidence.” C.A. App. 49. Following its own sufficiency review, the court of appeals agreed. Pet. App. 19a-24a.

SAP nonetheless argues that the Federal Circuit improperly exempted expert testimony from sufficiency review whenever the defendant fails to raise a *Daubert* challenge. Pet. 25-29. But the Federal Circuit did no such thing. In any event, the Federal Circuit applied Fifth Circuit precedent to this procedural issue, as it was bound to do. If the Fifth Circuit disagrees with this ruling, that court can supersede the decision by articulating a different approach. This Court’s intervention is unwarranted.

A. The Federal Circuit Performed Proper Sufficiency Review

SAP deliberately chose *not* to challenge the district court’s ruling that the testimony of Versata’s damages expert was admissible under *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579 (1993). Pet. App. 18a.⁸ Instead, SAP argued only that the evidence of damages was insufficient to sustain the verdict. *Id.* at 18a-19a. Notwithstanding that choice, SAP persisted in framing its

⁸ SAP’s *Daubert* motion in the trial court argued only that there was insufficient documentary evidence; SAP never objected to the expert’s methodology. Pet. App. 63a-64a; Tr. Oral Arg. 14:00-15:00, Nos. 2012-1029, 2012-1049 (Fed. Cir.), available at <http://www.cafc.uscourts.gov/oral-argument-recordings/search/audio.html>. SAP thus failed to preserve any admissibility argument relating to expert methodology. See *Sage Prods. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997).

sufficiency challenge as one of admissibility. It argued that the expert’s “opinion should have been excluded,” *id.* at 17a (quoting SAP C.A. Br. 46); “the jury should have never heard” it, *id.* at 18a (quoting SAP C.A. Br. 45-46); and “the district court should not have permitted Versata’s expert to present his lost profits theory,” *ibid.* (quoting SAP C.A. Br. 50). At argument, SAP followed the same course, urging that the testimony “should not have been admitted” and “should have been excluded.” *Ibid.*

Confronted by that tactic, the Federal Circuit properly ruled that, insofar as SAP argued that “the expert’s testimony was fatally flawed and should not have been admitted,” that argument was not properly presented: “[B]y SAP’s own admissions, [it] boil[s] down to the admissibility of the evidence.” Pet. App. 19a. Seizing on that language, SAP claims that the Federal Circuit’s decision conflicts with *Daubert*. According to SAP, *Daubert* recognizes that, even after expert testimony is admitted, the evidence may still be so thin as to warrant entering judgment as a matter of law. Pet. 27.

But the Federal Circuit has never disagreed with that principle, as SAP itself pointed out on rehearing. SAP Reh’g Pet. 7-8 (App. Dkt. 76); *e.g.*, *Crystal Semiconductor Corp. v. TriTech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1360-1361 (Fed. Cir. 2001) (upholding judgment as a matter of law rejecting damages theory on sufficiency grounds because expert opinion was too flawed to bear any weight); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1335 (Fed. Cir. 2009) (expert testimony “as presented did not reach the ‘substantial evidence’ threshold”). The Federal Circuit, moreover, applies the procedural law of the regional circuit where the case was tried—in this case, the Fifth Circuit. As SAP urges, the Fifth Circuit in *Stevenson v. E.I. DuPont*

de Nemours & Co., 327 F.3d 400 (5th Cir. 2003), recognized the same principle. Pet. 28.

In this case, the Federal Circuit simply determined that two of SAP's arguments were not before it because SAP had presented them as admissibility arguments, not sufficiency arguments. That distinction is both relevant and consistent with *Stevenson* and the other cases SAP cites. Pet. 28 (citing *In re Joint E. & S. Dist. Asbestos Litig.*, 52 F.3d 1124 (2d Cir. 1995); *Conde v. Velsicol Chem. Corp.*, 24 F.3d 809 (6th Cir. 1994)). As those cases recognize:

The 'admissibility' and 'sufficiency' of scientific evidence *necessitate different inquiries and involve different stakes*. Admissibility entails a threshold inquiry over whether a certain piece of evidence ought to be admitted at trial. * * * A sufficiency inquiry, which asks whether *the collective weight of a litigant's evidence is adequate to present a jury question*, lies further down the litigational road.

Joint E. & S., 52 F.3d at 1132 (emphasis added). Admissibility and sufficiency are thus distinct inquiries. And, as *Stevenson* holds, courts may disregard improperly raised admissibility points while addressing properly raised points challenging the sufficiency of the evidence as admitted. 327 F.3d 406-407 ("waiver of any challenges to the admissibility of the expert testimony does not preclude [a] sufficiency review").⁹

⁹ In *Stevenson*, the Fifth Circuit rejected the plaintiffs' attempts to "characterize defendant's arguments as challenges to the admissibility of the evidence." 327 F.3d at 406. Here, the defendants *themselves* characterized their arguments as challenges to the admissibility of the evidence. Pet. App. 17a-19a. It was SAP's decision to frame its arguments this way, and it must live with the consequences of that decision.

Consistent with those cases, the Federal Circuit recognized that two of SAP's arguments, as SAP presented them, were unpreserved admissibility arguments, not sufficiency claims. Pet. App. 17a-19a. SAP nonetheless urges that the decision below "recognized that SAP's argument amounted to a claim that 'the jury could not have had sufficient evidence to award lost profits because the expert's testimony was fatally flawed.'" Pet. 27. But SAP overlooks the last part of that sentence, which clarifies the Federal Circuit's understanding of SAP's argument—that the jury "could not have had sufficient evidence * * * because the expert's testimony was fatally flawed *and should not have been admitted.*" Pet. App. 18a-19a (omitted language italicized). The Federal Circuit's point was that the rejected arguments were not directed to the record as it stood, but to the record as it might have stood had the testimony "been excluded." *Id.* at 18a. Because SAP had preserved only objections to the record as it stood, the panel found these arguments—which "boil[ed] down to the admissibility of evidence"—"improperly raised." *Id.* at 17a, 19a.¹⁰

The Federal Circuit, moreover, went on to address every point asserted by SAP that "clearly relate[d] to the sufficiency of evidence." Pet. App. 19a. The district

¹⁰ SAP has no grounds to complain if the Federal Circuit misunderstood. As Judge Moore told SAP at oral argument, "you touched on so many issues that it's in such a cursory fashion that I've spent an enormous amount of time with these appendices and I can't get the details of your argument." Tr. Oral Arg. at 4:30-5:00. In an effort to bring clarity, Chief Judge Rader confirmed with SAP's counsel later in the argument that two asserted points in particular turned on the admissibility of the expert's testimony, rather than on the sufficiency of that testimony as admitted. *Id.* at 14:00-15:00; Pet. App. 18a.

court had previously found that the expert's testimony "reasonably reconstructed a 'but for world' in which Versata would have sold Pricer to 93 of SAP's Tier 1 customers," C.A. App. 46; "was based on sound economic proof confirmed by the historical record," *ibid.*; and applied a unitary "market for evaluating lost profits: the 'Tier 1 SAP customer' market," *id.* at 45; see *ibid.* ("While SAP now suggests that this relevant market was unclear and changing at trial, its own experts revealed no such confusion.").

The Federal Circuit affirmed the trial court's findings. It concluded that the admitted evidence was sufficient to demonstrate causation, Pet. App. 24a ("a *prima facie* showing of lost profits"); was economically sound, *id.* at 23a ("SAP's protestations that the award does not reflect market or economic variables are belied by the record"); and applied a unitary market of "Tier 1 SAP customers" in proving lost profits, *id.* at 9a (Versata "put forward evidence regarding demand, the absence of non-infringing alternatives, and the capacity to sell Pricer in this market"). Those findings track the points SAP now asserts were disregarded by the Federal Circuit. Pet. 26-27. Thus, while the panel declined to address SAP's admissibility points *as admissibility points*, it effectively addressed and rejected them as sufficiency points. SAP received all the review to which it was entitled (and more).

B. SAP's Complaint Is Fact-Bound And Does Not Warrant Review In Any Event

Even on its own terms, SAP's second question falls short. SAP has conceded that the Federal Circuit regularly reviews the adequacy of expert testimony in the context of sufficiency review. See pp. 23-24, *supra*. The cases bear that out. *Ibid.* Indeed, the Federal Circuit

has encouraged parties to raise sufficiency claims where expert testimony is involved. *Ibid.* SAP's petition thus does not raise a recurring legal issue; it claims a fact-bound "error" in applying settled law to its specific case. And, for the reasons above, no error occurred at all.

Review is especially inappropriate given that the Federal Circuit was applying Fifth Circuit law on this procedural issue. Pet. App. 10a-11a. To the extent the panel's ruling conflicts with Fifth Circuit precedent as SAP claims, Pet. 28, the Fifth Circuit is fully capable of providing any necessary clarification. *Cf. Wisniewski v. United States*, 353 U.S. 901, 901-902 (1957) (per curiam). There is no reason for this Court to intervene on an issue where the matter can be resolved by a single court of appeals on its own.¹¹

At bottom, SAP's argument reduces to the assertion that the panel, applying Fifth Circuit law, did not address certain arguments in view of SAP's concessions at oral argument. Pet. App. 17a-19a. That fact-bound, case-specific, discretionary decision provides no justification for further review.

III. THE FEDERAL CIRCUIT'S DENIAL OF SAP'S BELATED STAY MOTION DOES NOT WARRANT REVIEW

Finally, SAP seeks review of the Federal Circuit's unpublished, single-sentence order denying its motion to

¹¹ For similar reasons, SAP's citation of a single district court case hardly shows that the decision below "has already begun to sow confusion." Pet. 28-29 (citing *Summit 6 LLC v. Research in Motion Corp.*, No. 3:11-cv-367-O, 2013 U.S. Dist. LEXIS 95164, at *31-32 (N.D. Tex. June 26, 2013). *Summit 6* acknowledged this decision, yet still opted to "engage in [the traditional sufficiency] analysis." *Id.* at *31 n.9. Besides, any "confusion" can be resolved by the Fifth Circuit without this Court's intervention.

stay proceedings. SAP did not file that motion until June 17, 2013—not merely after trial, but after the Federal Circuit had affirmed the verdict on appeal. SAP proposed that the stay remain in place, and the already-issued Federal Circuit decision be frozen, until a later-issued decision in the administrative CBM proceeding—which had invalidated the patent on grounds SAP had waived in this case—is litigated to finality on appeal. SAP Motion to Stay 19 (App. Dkt. 93-1).

That claim does not merit further review. No appellate decision has yet interpreted the recently enacted statutory stay criteria. SAP asks this Court to be the first. And SAP’s stay request is meritless. Its petition never addresses the four statutory criteria that govern stay requests, and with reason: Those criteria make clear that it is singularly inappropriate to enter a stay here, after the appeal has been resolved.

A. Review Is Decidedly Premature

The Federal Circuit’s summary denial of SAP’s motion to stay this litigation provides no issue worthy of review. The Federal Circuit issued no opinion. Because SAP did not seek a stay until after it lost on appeal, there is no district court opinion either. SAP invites this Court to be the first to issue any analysis. This Court, however, is “a court of review, not of first view.” *Cutter v. Wilkinson*, 544 U.S. 709, 718 n.7 (2005).

The stay provisions at issue, moreover, were enacted only recently. This Court ordinarily declines to be the first to address the meaning of a statute, entrusting initial development of the law to the district courts and courts of appeals in the first instance. Here, Congress contemplated precisely that course. “The United States Court of Appeals for the Federal Circuit,” Congress provided, “shall review the district court’s decision” on a

stay motion “to ensure consistent application of established precedent, and such review may be de novo.” AIA § 18(b)(2). SAP asks this Court to engage in review before lower federal courts, including the Federal Circuit, have had a meaningful opportunity to develop that precedent.

B. The Federal Circuit Properly Denied SAP’s Appellate-Rehearing-Stage Stay Motion

SAP’s stay request borders on frivolous.

1. SAP points out that Congress specified that “court[s] shall decide whether to enter a stay based on” “four factors” listed in AIA § 18(b)(1). Pet. 31. But SAP’s petition never addresses those factors—because each weighs resoundingly against the stay SAP seeks.

The first factor asks whether a stay will “simplify the issues in question and streamline the trial.” AIA § 18(b)(1)(A). That factor weighs against a stay. In this six-year-old case, there have been two trials, a final judgment, and a full appeal upholding that judgment. SAP’s CBM petition, moreover, concerns an issue—patentability under 35 U.S.C. § 101—that SAP repeatedly declined to press in this case, never asserting it by motion, at trial, or on appeal. See p. 7, *supra*. SAP never explains how a ruling on an issue it had forfeited long ago could “simplify the issues” here “and streamline the trial” that has already occurred.

The second factor—whether “discovery is complete and whether a trial date has been set,” AIA § 18(b)(1)(B)—weighs conclusively against a stay. This factor makes clear that stays are appropriate only at the outset of proceedings. But SAP filed its stay application after discovery was complete; after the trials were concluded; and after the result had been affirmed in relevant part on appeal.

The third factor asks whether a stay “would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party.” AIA §18(b)(1)(C). That factor too weighs against a stay. SAP did not seek a stay when the Federal Circuit’s ruling was an open question; it waited to seek a stay until *after* it had lost on appeal. SAP likewise did not seek to stay litigation pending the agency proceeding when the outcome of the agency proceeding was an open question. Rather, it waited to seek a stay until *after* it obtained a favorable ruling there. SAP thus demands a right to choose one proceeding over another *after* learning the results—precisely the sort of “clear tactical advantage” §18(b)(1)(C) of the AIA seeks to foreclose. District courts routinely reject such tactics.¹² SAP thus has it backwards when it claims that, because the PTO has now ruled, the equities weigh in its favor. Pet. 33. Because SAP never sought a stay until it knew outcomes, a stay is inappropriate.

SAP’s stay request also threatens clear prejudice to Versata. AIA §18(b)(1)(C). Having diligently prosecuted this case for six years, Versata has obtained a final judgment and a ruling affirming it on appeal. SAP’s motion invites potentially *years* of delay, postponing the resolution of this twice-tried case, and staying an already-resolved appeal, so that Versata must spend mil-

¹² See, e.g., *Ecolab, Inc. v. FMC Corp.*, No. 05-CV-831, 2007 U.S. Dist. LEXIS 39189, at *5 (D. Minn. May 30, 2007) (party seeking a stay after losing on summary judgment motion was seeking tactical advantage); *Alltech, Inc. v. Cenzone Tech, Inc.*, No. 06-CV-153-JM, 2007 U.S. Dist. LEXIS 19989, at *14 (S.D. Cal. Mar. 21, 2007) (“wait[ing] *over one month*” between reexamination request and stay motion “undermines Defendants’ argument that they have been acting diligently and with good faith in seeking a stay”).

lions more litigating an invalidity defense SAP waived years ago. SAP had a full and fair opportunity to litigate in court; Congress did not authorize stays so parties that dislike the outcome can try again at the PTO.¹³

The fourth factor asks whether a stay “will reduce the burden of litigation on the parties and on the court.” AIA § 18(b)(1)(D). But a stay here would have the opposite effect. SAP filed its motion after the parties and the courts had already borne almost all the burdens of litigation. A stay at this late hour would needlessly prolong this case’s natural disposition. It could also potentially generate additional and burdensome litigation (possibly at all levels of the judiciary) over the effect, if any, of an agency’s order on the judgment in this separate case. Pet. 33-34. SAP’s strategy, if endorsed, would undermine Congress’s goal of “providing a more efficient system for challenging patents” and “reduc[ing] unwarranted litigation costs.” Pet. 31. Instead, it would encourage parties like SAP to take multiple bites at the same apple in multiple proceedings, seeking stays only after the outcomes are known. Nowhere does SAP reconcile its tactics with the efficiency Congress sought to achieve.

2. Given that the four statutory factors are uniformly directed to *trial*—indeed, pre-trial—proceedings, there is good reason to believe AIA § 18 does not authorize staying appellate proceedings at all, much less after

¹³ Notably, the AIA permits consideration of *prejudice* only as to the *non-movant* (Versata) and *tactical advantage* only as to the *movant* (SAP). AIA § 18(b)(1)(C). SAP’s suggestion that the Federal Circuit should have considered some alleged prejudice to SAP is thus foreclosed by the AIA itself.

the court of appeals has ruled. Indeed, asked about stays of appellate proceedings, Senator Leahy said he would “*agree* that in a case in which the validity of the patent has been upheld by a district court but *the case remains on appeal*,” the AIA “*would likely not affect the pending appeal*.” 157 Cong. Rec. S1360, S1363 (daily ed. Mar. 8, 2011) (emphasis added); see pp. 3-4, *supra*. *A fortiori*, the AIA should not affect a case where the appeal has already been decided.

SAP thus cannot seriously wonder, if a stay is not appropriate here, “when, if ever, [courts] would find a stay appropriate.” Pet. 29-30. The answer is when the statutory factors support it—when it is sought early enough in the litigation (before trial and discovery) that it will promote efficiency and streamline proceedings; when it poses no prejudice to the non-movant; and is not sought for tactical advantage only after the movant has lost on appeal.

3. SAP faults the Federal Circuit for not issuing a written decision. Given the belated nature of SAP’s request—and its lack of merit—no post-merits opinion was required. While SAP points to the AIA’s instruction that “the Federal Circuit shall review the district court’s decision to ensure consistent application of established precedent,” Pet. 34 (quoting AIA § 18(b)(2)), that provision refers to “review of *district court* decision[s].” It does not, as SAP suggests, require the Federal Circuit to “provide guidance to the lower courts” on how to treat a stay motion filed in the court of appeals. *Id.* at 35. District courts need no such guidance, as they will not need to rule on such motions. Instead, the provision confirms that the statute is directed to stays in the trial court, and the Federal Circuit’s review of trial-court stay decisions on appeal.

4. SAP’s claim that “the equities of this case plainly counsel in favor of a stay,” Pet. 33, fails for similar reasons. While “the equities” are not a statutory factor, they do not favor SAP, which waited until after it obtained rulings to decide which proceeding to expedite and which to stay. The equities do not favor allowing SAP to choose which proceeding should prevail after imposing the costs of both proceedings on its opponent and seeing the outcome in each.

SAP’s focus on the fact that the PTO has “*already* issued its final written decision” also undermines the issue’s claimed importance. Pet. 32. The statute contemplates the prompt filing of stay applications early in the process—not gamesman-like stays sought after the PTO outcome is known. Cases like this one, in which the stay applicant knows the result in the PTO (and the outcome on appeal), are likely to prove rare. This Court need not grant review to address circumstances that are potentially unique and unlikely to recur.

SAP’s putative concern that it might pay a judgment on a patent that may be eventually invalidated (if the PTO’s ruling is upheld on appeal) is equally unavailing. For one thing, SAP presumes a final outcome that has yet to occur. Pet. 30, 32. The PTO ruling is the beginning of the process, not the end, and it is followed by *de novo* review in the Federal Circuit. *In re Ferguson*, 558 F.3d 1359, 1363 (Fed. Cir. 2009). Because this is the first CBM decision under the AIA, many issues remain unresolved.¹⁴ While this petition provides no occasion to

¹⁴ As noted above (at 13), Versata has argued that the ’350 patent is not a “covered business method patent,” and SAP’s challenges to the ’350 patent are not within the scope of challenges that can be raised under AIA § 18(a)(1) and are foreclosed by *res judicata* principles. More fundamentally, the PTAB erred when it rejected a

consider Versata’s arguments, the Federal Circuit will do so. SAP jumps the gun when it assumes that the verdict here concerns a patent that will be invalidated.

Besides, SAP made a deliberate choice *not* to present a § 101 defense in this case. Instead, SAP waited until it lost at trial and then—in an attempt to gain a tactical advantage—filed a petition in the PTO to raise its (now-waived) § 101 arguments. Having waived its § 101 arguments in this case, SAP can hardly complain about not obtaining relief on that ground here. That is the inevitable result of its own conduct. Had SAP properly pursued the § 101 defense it pleaded in this case, the issue would already be resolved and no one—not the courts or the parties—would now be forced to grapple with the machinations associated with SAP’s efforts to supersede a final judgment affirmed on appeal with a first-level PTAB ruling on an issue that SAP waived multiple times over in this case.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

claim construction entered by the district court in this case and agreed to by the parties *in the CBM review* itself. Pet. App. 111a-114a. Finally, the PTAB erred in concluding that the very specific claims at issue—embodied in a revolutionary product that took the market by storm in the mid-1990s, *id.* at 4a-6a—recite nothing more than “unpatentable abstract ideas.” *Id.* at 131a.

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