

NETFLIX, INC. v. DIVX, LLC, Appeal No. 2022-1138 (Fed. Cir. September 11, 2023). Before Hughes, Stoll, and Stark. Appealed from PTAB.

Background:

The patent at issue relates to the encoding, transmission, and decoding of multimedia files in streamed content. In an *Inter Partes Review* proceeding before the PTAB, Netflix asserted that the invention would have been obvious in view of a reference modified by a U.S. patent reference referred to as "Kaku". DivX argued that Kaku is non-analogous art because the field of endeavor of the patent at issue relates to streamed content while Kaku relates to M-JPEG files in limited memory cameras. DivX also argued that Netflix failed to meet its burden to demonstrate that Kaku was analogous art because Netflix did not explicitly identify the field of endeavor for either the patent at issue or Kaku. The PTAB agreed with DivX. Specifically, the PTAB held that because Netflix failed to identify the field of endeavor of the patent at issue or Kaku, Netflix cannot demonstrate that the claimed invention and Kaku are in the same field. Therefore, the PTAB held that Netflix failed to meet its burden of establishing analogous art under the field of endeavor test. Netflix appealed.

Issue/Holding:

Did the PTAB abuse its discretion in determining that Netflix failed to identify the field of endeavor for either the patent at issue or Kaku? Yes, vacated and remanded.

Discussion:

The Federal Circuit found that the PTAB erroneously required Netflix to articulate or explicitly identify the field of endeavor for both Kaku and the patent at issue. The Federal Circuit held that precedent does not require the use of magic words, such as "the field of endeavor is....," and the PTAB imposed a higher burden than required.

In its reply brief before the PTAB, Netflix identified AVI files as one potential overlapping field of endeavor for both Kaku and the patent at issue. The PTAB acknowledged that Netflix argued Kaku must be considered for its AVI teachings and that Kaku includes embodiments directed to an AVI file format. The Federal Circuit stated that they fail to see how this was not enough to understand Netflix's position that Kaku's field of endeavor is AVI files. In addition, Netflix argued that the patent at issue refers to AVI as prior art and cited sections of the patent at issue that discuss AVI files. Thus, the Federal Circuit held that, taken together and in context, Netflix sufficiently argued that the field of endeavor for both the patent at issue and Kaku is AVI file formats.

Netflix also alternatively argued that the field of endeavor includes encoding and decoding multimedia files. However, the PTAB characterized this argument as exclusive to the issue of whether Kaku was reasonably pertinent to the problem addressed by the patent at issue. The Federal Circuit disagreed with this "rigid view," noting that the field of endeavor and reasonably pertinent prongs may overlap. Accordingly, the Federal Circuit held that general language is sufficient to allow the PTAB to consider alternative arguments on the merits. Thus, even when a petitioner does not explicitly define a field of endeavor, its briefing may nonetheless present an argument on that issue when taken as a whole.