

NETFLIX, INC. v. DIVX, LLC, Appeal Nos. 2022-1203, 2022-1204 (Fed. Cir. October 25, 2023). Before Dyk, Linn, and Chen. Appealed from Patent Trial and Appeal Board.

Background:

DivX sued Netflix for infringing its patents directed to video streaming. In response, Netflix filed petitions for *inter partes* review (IPR), arguing that the asserted claims were unpatentable under 35 U.S.C. §103. The Board granted the petitions, but ultimately, in the IPR proceedings, it held in favor of DivX, finding that Netflix had not met its burden of proving that the claims were unpatentable.

On appeal, rather than challenge the Board's substantive decisions, Netflix appealed on grounds that the Board failed to address or misunderstood several invalidity arguments Netflix allegedly raised in its petitions.

Issue/Holding:

In view of the Board's interpretation of what arguments were fairly presented in the petitions, did the Board err in upholding the challenged claims of DivX's patents? No, affirmed.

Discussion:

The Federal Circuit rejected Netflix's argument that the Board failed to consider all of the arguments presented by Netflix in the IPR petitions. In this regard, the Federal Circuit concluded that Netflix had not adequately raised certain arguments in its petitions before the Board, and as a result, Netflix forfeited those certain arguments now raised on appeal. In reaching this conclusion, the Federal Circuit reviewed the petitions with respect to the certain arguments alleged by Netflix to be ignored or misunderstood by the Board.

First, the Federal Circuit considered Netflix's position that the Board only addressed one of two different mechanisms described in a prior art reference that was relied upon for teaching the claimed "filtering" limitation. The Federal Circuit noted that the petition included a discussion for one of the mechanisms, and on appeal, Netflix identified in the petition a block quote from the reference that addressed the other of the two mechanisms. In regards to the block quote, the Federal Circuit reasoned that it is petitioner's burden to make clear when alternative arguments are presented, and to sufficiently expound on each alternative. Thus, the block quote, without any accompanying arguments, did not constitute a fairly presented argument.

Next, the Federal Circuit considered Netflix's position that the Board misunderstood its argument regarding a "retrieving" limitation. In this regard, Netflix argued that although the petition relied upon a single reference for disclosing this limitation, the Board improperly viewed the reference as an obviousness challenge, thereby requiring Netflix to articulate a modification to the reference to teach the retrieving step. However, the Federal Circuit found that because the petition used strong language indicating that a skilled artisan would have found it "obvious" to perform this retrieving step, the Board did not err in its determination that §103, rather than §102, was being invoked.

In dissent, Judge Dyk opined that, based on his interpretation of the language in the petitions, Netflix adequately raised both of the above two arguments, and he would have remanded for the Board to consider Netflix's arguments on the merits.