Netflix, Inc. v. DivX, LLC, 80 F.4th 1352 (Fed. Cir. 2023) (Hughes, Stoll, Stark)

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Netflix petitioned for IPR of a DivX patent related to "trick play" functionality, which allows a user to fast forward, rewind, and scene skip frames. Netflix's petition argued that the challenged claims would have been obvious over two references. The Board instituted an IPR. DivX argued to the Board that one of the references ("Kaku") was not analogous art. The Board agreed and therefore rejected Netflix's obviousness argument. Netflix appealed.

The Federal Circuit noted that there are two ways a reference can qualify as analogous art: (1) if the reference is in the same field of endeavor as the patent and (2) if the reference is reasonably pertinent to the problem to be solved by the patent. If the reference meets either of these two tests, it can be said to be known by the hypothetical skilled artisan, and therefore qualifies as relevant prior art for purposes of obviousness.

The Federal Circuit analyzed the Board's analysis of both tests. As to the first test, the Federal Circuit found that the Board abused its discretion in finding that Netflix had not shown Kaku was in the same field of endeavor as the patent. The court found that the Board held Netflix to an overly strict standard, requiring the use of "magic words" to meet its burden (e.g., "the field of endeavor is …"). In context, the court concluded, Netflix's arguments sufficiently articulated the field of endeavor because Netflix argued that the subject patent and the prior art both related to the same technical issues. Although Netflix did not precisely define the field of endeavor, Netflix did discuss various technical issues relevant to both the patent and the prior art reference. The court faulted the Board for considering these statements only in the context of the "reasonably pertinent" test, and not in the context of the "field of endeavor" test. The Federal Circuit pointed out that the evidence and analysis of the two tests may overlap and so the Board's analysis was too rigid. The Federal Circuit noted that the Board itself never used "magic words" in defining the field of endeavor in its decision and it was unfair to hold Netflix to a higher standard. Accordingly, the vacated the Board's decision on this issue and remanded for further proceedings.

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As to the second ("reasonably pertinent") test, the court affirmed the Board. The Board had permissibly credited the testimony of DivX's expert, who testified that the Kaku was directed to a distinct technical issue, not the relevant "trick play" functionality. And the Federal Circuit agreed with the Board that this testimony was consistent with statements in the patent and Kaku.