

From: Trials <Trials@USPTO.GOV>
Sent: Monday, May 22, 2023 4:31 PM
To: Parham Hendifar <hendifar@lowensteinweatherwax.com>
Cc: Chris Ponder <CPonder@sheppardmullin.com>; Jeffrey Liang <JLiang@sheppardmullin.com>; LegalTM-DivX-IPR <LegalTM-DivX-IPR@sheppardmullin.com>; Nathan Lowenstein <lowenstein@lowensteinweatherwax.com>; Kenneth Weatherwax <weatherwax@lowensteinweatherwax.com>; Colette Woo <woo@lowensteinweatherwax.com>; Harper Batts <HBatts@sheppardmullin.com>; Trials <Trials@USPTO.GOV>
Subject: RE: IPR2020-005588 - DivX's Improper New Arguments

Counsel,

From the Board –

In furtherance of our Order (Paper 56), we acknowledge the parties' concerns. The panel chooses to hold any issues of sanctions in abeyance until all responsive papers have been filed. If either party wishes to provide arguments in its responsive brief regarding the propriety of issues raised in the initial briefing, the panel deems such arguments to be "clarify[ing of] any issues raised by opposing sides." Paper 56, 2. Given the apparent controversy, we expand the available number of pages of each responsive brief to ten (10) pages, and all such briefs are to be filed by June 2, 2023. After the filing of all papers, the panel will consider the sanctions request, along with potentially an additional conference call with the parties, if deemed necessary.

Regards,

Esther Goldschlager
Supervisory Paralegal Specialist
Patent Trial & Appeal Board
U.S. Patent & Trademark Office

From: Parham Hendifar <hendifar@lowensteinweatherwax.com>
Sent: Monday, May 22, 2023 7:00 AM
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Subject: Re: IPR2020-005588 - DivX's Improper New Arguments

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Dear Honorable Board,

Netflix's latest email largely restates assertions that DivX has already responded to and refuted. Moreover, the assertion that DivX's remand brief is improper, in addition to misrepresenting DivX's argument, contradicts the Board's standard operating procedures. SOP #9, 5-7 (parties may

address the “specific issues raised on remand” without submitting new evidence or exhibits). Despite repeating the claim that DivX “violated” Board orders in this proceeding, Netflix does not specifically cite any part of any order that is supposedly violated.

As for Netflix’s other attempts to divert attention from the merits, it is settled that “unfounded requests for sanctions are themselves frivolous and sanctionable.” *Schendel v. Curtis*, 83 F.3d 1399, 1406 (Fed. Cir. 1996) (quoting *Atl. Thermoplastics Co. v. Faytex Corp.*, 970 F.2d 834, 835 n.1 (Fed. Cir. 1992)). “A baseless sanctions motion unfairly forces an opponent into satellite litigation while diverting attention away from the real issues in a case. It also unjustly challenges the integrity of the accused party and the professionalism of its counsel, and it wastes judicial resources.” *Id.*

Respectfully submitted,

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Parham Hendifar | Lowenstein & Weatherwax LLP
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From: Harper Batts <HBatts@sheppardmullin.com>

Date: Friday, May 19, 2023 at 10:03 AM

To: Parham Hendifar <hendifar@lowensteinweatherwax.com>, Trials <Trials@USPTO.GOV>

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Subject: RE: IPR2020-005588 - DivX's Improper New Arguments

Dear Honorable Board,

DivX’s argumentative e-mail further highlights its improper conduct in this proceeding. As seen in the attached correspondence, DivX included **none** of its arguments or alleged support during the meet and confer process.

In contrast, Netflix provided the basis for its request for relief and sanctions. Netflix’s email to the Board and its emails to DivX during the meet and confer process provided authorities setting forth that no new arguments are allowed by a Patent Owner after the Patent Owner Response, let alone on remand. *See e.g., Celgene v. Peter*, 9341 F.3d 1342, 1356 (Fed. Cir. 2019); *Leveen v. Edwards*, Pat. Interference No. 104,290 (BPAI May 25, 2002). Netflix also identified orders in this case (the Scheduling Order, Paper No. 11; the Remand Order, Paper No. 56) which have been violated by DivX’s remand brief. This is also shown in the attached e-mail correspondence.

The substance of DivX's new arguments is wrong and inaccurate but will not be addressed in e-mail correspondence.

Netflix does not take a request for sanctions lightly. This is Netflix's counsel's first request for sanctions in over 10 years of practicing before the PTAB. Nonetheless, Netflix has requested this relief because the impropriety of DivX's remand brief and the prejudice to Netflix. Netflix remains available for a call at the times originally set forth.

Respectfully submitted,

Harper Batts (Reg No. 56,160)
Lead Counsel for Petitioner Netflix

From: Parham Hendifar <hendifar@lowensteinweatherwax.com>
Sent: Friday, May 19, 2023 4:00 AM
To: Trials <Trials@USPTO.GOV>
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Subject: Re: IPR2020-005588 - DivX's Improper New Arguments

Dear Honorable Board,

DivX opposes Netflix's request, including for any stay or authorization to file any motion and for sanctions. Netflix's email improperly includes extensive arguments, and although Netflix purports to have properly met and conferred, Netflix point blank refused to reveal to DivX its draft email to the Board or any of the purportedly supportive authorities Netflix's email cites. Therefore, DivX respectfully responds to Netflix's email as follows.

Netflix blatantly mischaracterizes DivX's remand brief argument as a "new" "claim construction" argument. That is readily refutable by a cursory review of DivX's remand brief, which explains how the Petition maps Chen to claim limitation 1[k], rather than presenting any arguments, let alone any new arguments, on how any limitation should be construed or whether any construction is met. *See, e.g.*, Paper 62 [DivX Remand Brief] at 3 (explaining Petitioner's mapping). Netflix's overheated, inexplicable demands for "sanctions" notwithstanding, the notion that DivX has presented any claim construction argument, new or otherwise, in the Remand Brief is, respectfully, frivolous.

Nor is DivX's argument improperly new under any standard. DivX has consistently argued throughout this trial that Petitioner relied on scalable blocks in Chen's system and that these were incompatible with partial frame encryption. Paper 17 [POR] 13-18. In direct response to the Federal Circuit mandate finding that Petitioner relied on Chen's "teachings" and not necessarily on Chen's "system," DivX's brief on remand explains which Chen "teachings" Petitioner relied upon for each limitation. Paper 62 [DivX Remand Brief] at 1. Thus, DivX's brief simply explains Petitioner's mapping for limitation 1[k], where the Chen "teaching" relied upon by Petitioner is its scalable blocks, and not Chen's prior art. Paper 62 [DivX

Remand Brief] at 3-4. During the call with the Board to authorize additional briefing on remand, this was *exactly* what DivX stated, without contradiction or dispute, that its brief would contain:

[W]e believe the following issues need to be addressed in the additional briefing: Which portions of Chen are Petitioners relying on when they rely on Chen teachings; whether there is a reasonable expectation of success in combining those portions of Chen with Lindahl's partial frame encryption; and whether there is a motivation to make that combination.

Ex. 1036, 24:6-14.

Netflix also fails to cite any rule, order or other authority violated by DivX's remand brief. None of the authorities it cites involve IPR cases on remand. And even if the applicable standard were, as Netflix appears to argue, that "no new arguments are allowed by a Patent Owner after the Patent Owner Response," that would not help Netflix. *See, e.g., Ericsson Inc. v. Intellectual Ventures I LLC*, 901 F.3d 1374, 1381 (Fed. Cir. 2018) (finding reply argument is not untimely where it "expands the same argument made in the Petition."). Patent Owner pointing to the "teachings" of Chen relied upon by Petitioner for limitation 1[k] to show reliance on Chen's scalable blocks is exactly the argument Patent Owner has been making all along, is exactly in accordance with the Federal Circuit's mandate, and is not an improper new argument under these standards.

Finally, the Board's remand briefing order also authorized responsive briefs by the parties in addition to opening briefs. This appears to be in response to Patent Owner's concern about additional issues being raised in the opening briefs, and this authorization should address such concerns. *See Infineum USA L.P. v. Chevron Oronite Co. LLC*, No. 2020-1333, 2022 WL 3147683, at *5 (Fed. Cir. 2022) (nonprecedential) ("the Board afforded Infineum the process it was due under the APA" where it could respond to petitioner's arguments in its sur-reply).

There is no basis for the precipitate "stay" of the Board's ordered deadline that Netflix has requested, or any motion or sanctions.

Respectfully submitted,

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From: Harper Batts <HBatts@sheppardmullin.com>

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Subject: IPR2020-005588 - DivX's Improper New Arguments

Dear Honorable Board,

Petitioner Netflix, Inc. respectfully seeks the Board's immediate input and authorization to file a motion for sanctions pursuant to 37 C.F.R. § 42.20(b) and to stay the May 26, 2023 deadline for filing responsive remand briefs.

This IPR proceeding (IPR2020-00558) is on remand to the Board from the Federal Circuit's decision on appeal. Paper 55. The first seven pages of DivX's remand brief (Paper 62) is based on new arguments. This includes raising a new claim construction argument for limitations [1j] and [1k], when neither claim limitation was previously briefed by DivX in these proceedings. *See, e.g.*, Paper 62 ("DivX Remand Br.") at 2-5 ("Thus, limitation 1[k] requires portions of a file that are separately requestable based on the byte ranges provided in a file index.").

The Board and the Federal Circuit have consistently set forth that no new arguments are allowed by a Patent Owner after the Patent Owner Response, let alone on remand. *See e.g., Celgene v. Peter*, 9341 F.3d 1342, 1356 (Fed. Cir. 2019); *Leveen v. Edwards*, Pat. Interference No. 104,290 (BPAI May 25, 2002). The Scheduling Order (Paper No. 11), and the Remand Order (Paper No. 56) were also clear as to the scope and limits of when arguments were permitted in this particular proceeding.

Netflix informed DivX that its brief is improperly based on new arguments, and notified DivX that it would immediately seek relief from the Board if it did not withdraw its new arguments. DivX responded that its arguments are not new (despite having no citations to its earlier briefing), and contends that it is permitted to raise new arguments on remand.

Netflix seeks expedited relief from the Board, including permission to file a motion for sanctions and for sanctions to be awarded both in the form of expunging DivX's improper remand briefing (pages 1-7), and awarding attorney fees for the time spent addressing these issues. Netflix also requests that the Board stay the remand briefing to avoid further needless expenditure of attorney fees until the sanctions motion has been ruled on. DivX opposes.

Given the time sensitive nature of this request, Netflix will make itself generally available for a call with the Board tomorrow, Monday, or Tuesday. DivX has indicated that it is available on Monday.

Respectfully Submitted,

Harper Batts (Reg No. 56,160)
Lead Counsel for Petitioner Netflix

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