

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NETFLIX, INC.,

Petitioner

v.

VL COLLECTIVE IP, LLC.,

Patent Owner

IPR2023-00891
U.S. Patent 8,605,794

PATENT OWNER'S MOTION TO TERMINATE

EX2035
VL Collective IP, LLC
Netflix, Inc. v. VL Collective IP, LLC
IPR2023-00891

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PATENT OWNER'S EXHIBIT LIST

Exhibit	Description
2001	Joint Claim Construction Statement in <i>VideoLabs, Inc. et al. v. Amazon.com, Inc. et al.</i> , No. 22-cv-00079-ADA-DTG
2002	VideoLabs' Answering Claim Construction Brief, <i>Starz Entertainment, LLC et al. v. VL Collective IP, LLC et al.</i> , No. 21 -cv-1448-JLH (excerpted)
2003	Markman Hearing Transcript, <i>Starz Entertainment, LLC et al. v. VL Collective IP, LLC et al.</i> , No. 21-cv-1448-JLH
2004	Declaration of Jaime F. Cardenas-Navia in Support of Motion for Admission <i>Pro Hac Vice</i>
2005	Discovery Requests from Netflix
2006	Unified Website FAQ, https://www.unifiedpatents.com/faq
2007	Unified LinkedIn Post, https://www.linkedin.com/posts/sambwani_videolabs-794-video-codec-patent-likely-activity-7011105082129743872-66mK
2008	Unified Website Zones, https://www.unifiedpatents.com/sep
2009	Unified Website Seeking Prior Art, https://www.unifiedpatents.com/insights/2023/10/30/8000-for-videolabs-digital-content-patents-prior-art
2010	Unified's Newsletter Regarding Found Prior Art, https://www.unifiedpatents.com/insights/2024/3/1/videolabsdigital-content-patents-prior-art-found
2011	Declaration of Dr. Michael T. Goodrich
2012	Deposition Transcript of Dr. Benjamin Bederson
2013	U.S. Patent No. 7,428,696 to Shin
2014	U.S. Patent No. 5,598,352 to Rosenau et al.
2015	Dr. Immanuel Freedman Deposition Transcript from <i>Unified Patents, LLC v. VL Collective IP, LLC</i> , IPR2022-01086
2016	Jim Heckroth, <i>A Tutorial on MIDI and Wavetable Music Synthesis</i> , Cirrus Logic, Inc., AN27REV4, 1-24, February 1998
2017	Jim Heckroth, <i>Tutorial on MIDI and Music Synthesis</i> , The MIDI Manufacturers Association, April 2006
2018	Music Theory (https://www.musictheory.net/lessons/11#:~:text=The%20length%20of%20time%20that,duration%20of%20a%20whole%20note.).

2019	The MIDI Manufacturers Association, Standard MIDI Files 1.0, February 1996.
2020	Netflix Responses To Interrogatories
2021	Main Agreement Between Unified and Netflix
2022	Netflix Subscription Form to Video Codec Zone
2023	Unified IPR Data
2024	Declaration of Naveed S Hasan
2025	Unified Communication With Netflix June 8, 2022
2026	Unified Communication With Netflix December 20, 2022
2027	Unified Communication With Netflix December 21, 2022
2028	Unified Communication With Netflix December 22, 2022
2029	Unified Communication With Netflix May 8, 2023
2030	Unified Communication With Netflix December 19, 2023
2031	Unified Communication With Netflix December 19, 2023
2032	Unified Communication With Netflix December 21, 2023
2033	Unified Communication With Netflix January 15, 2024
2034	Unified News Article About Ideahub's Video Codec Patent (available at: https://www.unifiedpatents.com/insights/2024/2/5/ideahub-sep-video-encoding-patent-held-invalid)

Netflix and Unified have a preexisting, established relationship defined by membership agreements. These agreements obligate Netflix to pay a fee, and Unified to file IPRs (including the '086 IPR) *“to reduce the assertion” of patents against Netflix*. That is what happened. Unified filed the '086 IPR to address Patent Owner's assertions against Netflix. When faced with the possibility that its IPR would preclude Netflix from pursuing the present IPR, Unified sought to terminate its IPR—only to reverse course when the PTAB made clear that estoppel could still apply. Unified's dramatic shift in its IPR strategy belies its claims to be acting without consideration of Netflix's interests. The very concepts of estoppel and RPI are part of the AIA to avoid the gamesmanship Unified has engaged in. Even Unified recognizes this, and has not filed a single IPR since being identified as an RPI.

Under Federal Circuit law, a party with an established relationship that benefits from an IPR is an RPI and privy, even if the IPR was filed for other reasons as well. Netflix and Unified have a preexisting contractual relationship and Unified filed and conducted the '086 IPR to benefit Netflix. Netflix is thus an RPI and privy.

Patent Owner joins Netflix's request for an oral argument on this motion.

I. Background

Unified Patent, LLC (“Unified”) is an organization that provides services, including “fil[ing] post-grant procedures” such as IPRs against patents that its members are accused of infringing. EX2006; Paper 21, 4; *Samsung Electronics Co.*,

LTD. v. MemoryWeb, LLC, IPR2022-00222, EX2121 at 43 (December 22, 2023)

(“*Samsung*”). Unified provides additional services, such as cash rewards for invalidating prior art for patents asserted against its members. EX2009.

Netflix, Inc. (“Netflix”) has been a Unified member since at least January 1, 2020 and has paid Unified [REDACTED] in fees. EX2020. In exchange, Unified agrees to [REDACTED]

[REDACTED] by, *inter alia*, [REDACTED]
[REDACTED] EX2021.

Netflix is a part of Unified’s “Video Codec Zone,” for which it pays [REDACTED]
[REDACTED]. EX2022, 2. In exchange, Unified agrees that, [REDACTED]
[REDACTED] Unified will also [REDACTED]
[REDACTED]
[REDACTED] by [REDACTED] *Id.*,

1-2. Since Unified is not the target of “assertion[s],” *see Samsung*, EX2121 at 47, “assertion” here means those against its members. Unified also agrees that Netflix’s Video Codec Zone fee “[REDACTED]” EX2021, 6.

On February 23, 2022, Patent Owner filed suit against Netflix, alleging it infringed at least claim 1 of U.S. Patent No. 8,605,794 (’794 patent). *See VideoLabs, Inc. et al v. Netflix Inc.* DDE-1-22-cv-00229 Dkt. 1 (Feb. 23, 2022). The ’794 patent falls within the Video Codec Zone to which Netflix is subscribed. EX2007.

On June 7, 2022, consistent with its contractual obligations, Unified filed IPR2022-01086 (the “’086 IPR”), in which it challenged claims 1, 3, 5, 9, 12, 13, 15, 20, and 21 of the ’794 patent. Netflix filed the present IPR on claims 1-22 of the ’794 patent on May 5, 2023. Shortly before its hearing, Unified requested to terminate the ’086 IPR. ’086 IPR, EX3001 (August 31, 2023). After the Board indicated that termination would be construed as an “adverse judgment,” Unified dropped its motion to terminate. *Id.*, Paper 30 at 2 (August 31, 2023). Unified’s attempt to terminate came shortly after the Board identified Unified members as RPIs in a different Unified IPR. *Unified Patents, LLC v. MemoryWeb, LLC*, IPR2021-01413, Paper 56 (March 8, 2023) (“*MemoryWeb*”).¹

The *MemoryWeb* decision had an immediate impact on Unified’s IPRs. After the decision, Unified had twenty-five pending IPRs. Of those, it requested to terminate one due to settlement and nine due to alleged “budgetary” reasons (as in the ’086 IPR). It did not request to terminate the other fifteen IPRs, thirteen of which were instituted. EX2023. The majority (eleven of thirteen) of the non-terminated instituted IPRs had no other IPRs on the challenged patents, and thus no risk of estoppel.² *Id.* Unified has not filed *any* new IPRs since *MemoryWeb*. EX2024, ¶7.

¹ *MemoryWeb* was vacated for reasons irrelevant here. Paper 76 (May 22, 2023).

² Excluding *MemoryWeb* and the ’086 IPR itself. IPR2023-00029 is included as one of the eleven, because the co-pending IPRS were terminated on Oct. 11, 2023, soon after Unified’s requested termination of the ’086 IPR. EX2023.

On December 18, 2023, the Board issued a FWD addressing claims 1, 3, 5, 9, 12, 13, 15, 20, and 21. '086 IPR, Paper 37 (December 18, 2023). The Board found that claims 1, 3, 5, 9, 12, 13, and 15 were shown to be unpatentable while claims 20 and 21 were not shown to be unpatentable. *Id.* at 47.

II. Netflix Was an Unnamed RPI and Privy in the '086 IPR.

A. Unified's Business Model and The Contractual Relationship Between Netflix And Unified.

Determining whether a party is an RPI or privy is not a “bright-line test,” but requires “a flexible approach” “with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.” *Applications in Internet Time, LLC (AIT) v. RPX Corp.*, 897 F.3d 1336, 1351-1352 (Fed. Cir. 2018) (“*AIT*”) (“whether a nonparty ‘desires review of the patent’ and whether a petition has been filed at a nonparty’s behest”).

Here, Netflix “is a clear beneficiary that has a preexisting, established relationship with” Unified. *See AIT*, 897 F.3d at 1351 (analyzing the “nature of” the original petitioner and its “relationship” with its member). Unified’s business model demonstrates that it exists (and files IPRs) to benefit its members. *See Background.*

In particular, Unified’s specific contractual relationship with Netflix requires Unified to file IPRs both to deter “NPE patent litigation” *and* to “reduce assertion[s]” against members. *See Background.* The fact that Unified filed the '086 IPR to reduce assertions against Netflix makes Netflix an RPI and privy, regardless

of whether Unified files IPRs *also* to deter NPE litigation in general. *See AIT*, 897 F.3d at 1346–47 (“Congress . . . chose language that bars petitions where proxies or privies would benefit from an instituted IPR, *even where the petitioning party might separately have its own interest in initiating an IPR.*” (emphases added)).

B. Unified Filed and Conducted the '086 IPR to Benefit Netflix.

Unified was contractually obligated to file IPRs as [REDACTED] to reduce assertions against Netflix, and that is precisely what it did here. Unified is not itself accused of infringing the '794 patent, but was fully aware of VideoLabs' lawsuit against Netflix. EX2009. Unified's co-founder, Shawn Ambwani, described the '794 patent as a “bad patent” and Patent Owner's '794 patent litigations against, among others, Netflix as “bad assertions.” EX2007. Consistent with its contractual obligation to “[REDACTED]” (in Mr. Ambwani's parlance, “bad assertions” of “bad patent[s]”), Unified filed the '086 IPR to address the assertions against Netflix.³

These facts indicate that filing the '086 IPR was motivated in part by benefit to Netflix. *Samsung*, EX2121 at 47 (“[T]hese facts are similar to the facts in *AIT II* which leads to the inference that Petitioner is an RPI in the *Unified Proceeding.*”). Again, whether there were *other* purposes for the '086 IPR (e.g., general deterrence)

³ Unified challenged two independent claims: claim 1, which Patent Owner alleged Netflix infringed in its complaint, and claim 9, which is similar to claim 1.

is of no moment—the point is the ’086 IPR was filed in part to benefit Netflix. *AIT*, 897 F.3d at 1348, 1353 (“The point is not to probe RPX’s interest (it does not need any); rather, it is to probe the extent to which Salesforce—as RPX’s client—has an interest in and will benefit from RPX’s actions, and inquire whether RPX can be said to be representing that interest after examining its relationship with Salesforce.”).

Unified also “*conduct[ed]*” the ’086 IPR specifically to benefit Netflix. Unified attempted to terminate the ’086 IPR without estoppel effect to benefit Netflix, and then reversed course when it became clear that estoppel might apply. Moreover, the vast majority of IPRs that Unified did *not* terminate had no co-pending IPRs (and thus no risk of estoppel effects). EX2023. The evidence thus shows that Unified requested to terminate the ’086 IPR (i.e., it conducted its IPRs) with an eye towards the potential estoppel effect on its members.

C. Petitioner Effectively Funded and Controlled The ’086 IPR.

There is no “bright-line test” for determining how much control is needed to be an RPI or privy. Trial Prac. Guide at 16. Control does not require communication; simply avoiding communications with a client “do[es] not bear on whether [Unified] files IPR petitions to benefit specific clients that previously have been accused of patent infringement.” *AIT*, 897 F.3d at 1352; *RPX Corp. v. Applications in Internet Time, LLC*, IPR2015-01750, Paper 128 at 17-20 (Oct. 2, 2020).

Here, Netflix required Unified to file the ’086 IPR through its contractual

obligations. Section II.A. Unified regularly communicated information regarding the '794 patent and its IPRs to Netflix. EX2025-2033. And Netflix effectively funded the '086 IPR. Netflix's Video Codec Zone fees [REDACTED]

[REDACTED]. *See* Background. Patent Owner has been able to identify only one other Unified IPR filed since the '086 IPR that Unified has explicitly stated is against a Video Codec Zone patent. *See* EX2034. Thus, Netflix's Video Codec Zone fees went, in large part, to funding the '086 IPR.

Netflix's control of the '086 IPR is further demonstrated by Unified's request to terminate the petition, supposedly for financial reasons, just weeks before the oral argument. The most reasonable inference is that Unified took this action to benefit Netflix, as estoppel could apply to Netflix's co-pending IPR—the only other IPR on the '794 patent—and in Netflix's litigation. Indirect control is control nonetheless.

D. This Case is Distinguishable from Previous RPI Decisions.

The facts here are distinguishable from the Boards's previous RPI decisions. First, the Board in *Samsung* found the specific evidence presented there “shows that Unified's business model is focused on deterrence rather than settlement of cases involving NPEs.” *Samsung*, EX2121 at 35-45. Here, the evidence unequivocally shows Unified is expressly obligated to file IPRs both to deter NPEs generally *and* to “reduce assertions” against Netflix, and that it was paid handsomely to do so. And Unified terminated its IPRs for its members' benefit (to avoid estoppel). These facts

show that here, unlike in *Samsung*, Unified was not motivated solely by deterrence.

Second, unlike in *Unified Patents Inc. v. Uniloc USA, Inc.*, this motion is not based on “general statements that membership in Unified is enough,” (IPR2018-00199, Paper 41 at 10 (August 8, 2019)), but on specific contract provisions and patterns of behavior. Third, the Board in *Netflix v. DivX* found that there was no evidence that the patent was in the Zones Netflix subscribed to. IPR2020-00052, Paper 42 at 11 (May 14, 2020). Here, the ’794 patent is in the Video Codec Zone. *See Background.*

E. The Estopped Claims Should Be Terminated Or, At Least, Petitioner Should Be Dismissed From Maintaining Them

If the Board finds that Petitioner was an RPI or privy in the ’086 IPR, the Estopped Claims must be terminated. Paper 21, 8-9; Paper 23, 4;⁴ 35 U.S.C. § 315(e)(1); *AIT*, 897 F.3d at 1346, 1350. Terminating a subset of claims under Section 315(e) does not run afoul of *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018). Paper 21, 8-9; Paper 23, 4. If the Board holds it is *not* authorized to terminate a subset of claims, then the correct result is also terminating the non-Estopped Claims. Paper 21, 9; Paper 23 at 4. In any event, the Board must at least *dismiss* Petitioner as to the Estopped Claims—in particular the subset of claims that do not implicate any non-estopped claims (claims 5, 12, 15, 20, and 21). Paper 21, 6-8; Paper 23, 4.

⁴ Patent Owner cites to past briefing due to the page limitations for this Motion. If needed, Patent Owner can provide additional briefing on this issue.

Dated: May 31, 2024

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing document was served on, via electronic mail, as agreed to by counsel, upon the following counsel for Petitioner:

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