

Bungie v. Worlds: Decision Instituting Inter Partes Review of All Challenged Claims IPR2015-01319

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Takeaway: Merely having an agreement that allows a non-party to deny approval of mergers of the petitioner, to have an observer at board of director meetings of the petitioner, and to require advance payment for overhead related to contractual software development is not sufficient to demonstrate that the non-party is a real party in interest in an inter partes review proceeding.

In its [Decision](#), the Board granted institution of *inter partes* review for all of the challenged claims, claims 1-8, 10, 12, and 14-16 of the '501 patent, because the Board determined there is a reasonable likelihood that Petitioner would prevail in showing that those claims are unpatentable. The '501 patent generally relates to a "client-server architecture" for a "three-dimensional graphical, multi-user, interactive virtual world system." Petitioner asserted the following grounds of unpatentability: claims 1-6, 12, 14, and 15 as obvious over Funkhouser and Sitrick; claims 7 and 16 as obvious over Funkhouser, Sitrick, and Wexelblat; claims 8 and 10 as obvious over Funkhouser, Sitrick, and Funkhouser '93; claims 1-6, 12, 14, and 15 as anticipated by Durward; claims 7 and 16 as obvious over Durward and Wexelblat; and claims 8 and 10 as obvious over Durward and Schneider. Although Petitioner proffered claim terms for construction, the Board determined that no express construction was required to resolve the issues currently presented by the patentability challenges.

The Board turned to the first obviousness ground, and analyzed whether Funkhouser qualifies as prior art under 35 U.S.C. § 102(a). The Board noted that the key to determining whether a reference is a "printed publication" is whether the reference has been made "publicly accessible." The Board further noted that a reference is "publicly accessible" if the reference "has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter . . . exercising reasonable diligence, can locate it and recognize and comprehend therefrom the essentials of the claimed invention without need of further research or experimentation." Funkhouser is an article that appeared in a collection of articles compiled for a symposium. The chairperson of that symposium testified in the proceeding that the symposium gathered "many of the top researchers in the fields of virtual reality systems, computer graphics, and real-time interactive 3D," including over 250 participants each receiving a copy of the symposium book. The symposium book was also available from the symposium sponsor. Based on this evidence, the Board determined that Petitioner had proffered adequate evidence that an interested ordinarily skilled person, "exercising reasonable diligence," could have obtained Funkhouser no later than April 12, 1995 (the

last day of the symposium).

Patent Owner argued that the '501 patent claims were conceived and reduced to practice before April 12, 1995. Patent Owner supported its argument with two articles published in May and June of 1995 discussing the release to the public of Worlds Chat. However, the Board was not persuaded because the articles were published after April 12, 1995 and did not specifically say when Worlds Chat had been released to public and Patent Owner did not persuade the Board that there was adequate evidence to connect Worlds Chat to the claim language.

The Board then assessed the merits of the obviousness rejection. The Board was persuaded by Petitioner's arguments and unpersuaded by Patent Owner's arguments that: Petitioner was relying on an inherency theory that Funkhouser included "client-side 'determining,'" without providing sufficient evidence that Funkhouser necessarily disclosed the client performing the "determining" step; Funkhouser "does not disclose a client using an 'update message' for anything other than updating the 'geometric and behavioral models for the entity's local surrogate;" and Funkhouser could "use the updated 'geometric and behavioral models' of the surrogate stored by the client, rather than the positions received from the server, to determine which entities to display." Specifically, the Board was unpersuaded by Patent Owner, because it is an obviousness ground and thus Petitioner only needs to show what the references teach or suggest and not whether Funkhouser expressly discloses certain features. The Board was further persuaded by Petitioner's arguments and evidence regarding the other claims and grounds based on combinations with Funkhouser.

The Board then turned to its analysis of the anticipation ground based on Durward, concluding that Petitioner's arguments and its expert's testimony sufficiently showed that Durward discloses the client "determining" a "displayable set of the other user avatars associated with the client service display." The Board was not persuaded by Patent Owner's arguments because Patent owner had "not addressed whether the passages and claim it cites relate to the embodiment on which Petitioner's argument relies;" the "disclosures that central control unit 14 monitors and tracks virtual beings' locations and orientations to determine which updated positional data to transmit to each user is consistent with, and does not undermine, Petitioner's position;" and the "disclosure regarding situations where central control unit 14 communicates only the 'graphical data for the updated field of view' . . . does not address situations where the visual relevant space, and thus the positional data communicated to the user, is wider or narrower than the virtual being's field of view." The Board was further persuaded by Petitioner's arguments and evidence regarding the other claims and grounds based on combinations with Durward.

The Board then analyzed Patent Owner's argument that the Board should decline to institute, under 35 U.S.C. § 325(d), because the "same or substantially the same prior art or arguments" were presented during examination of the '501 patent. Funkhouser, Durward, and another asserted prior art reference were listed in Information Disclosure Statement (IDS) forms during prosecution of the '501 patent. The Board declined to exercise its discretion to decline to institute based solely on the references being cited in an IDS form.

The Board also considered Patent Owner's argument that Activision is an unnamed real party in interest, and that the Petitioner fails to comply with et U.S.C. § 312(a)(2) and is barred under 35 U.S.C. § 315(b). Petitioner and Activision had an agreement where Petitioner "agreed to develop" a series of software products entitled "the Destiny Products" that would be exclusively published and distributed by Activision. Patent Owner sued Activision for allegedly infringing the '501 patent based on various products other than the Destiny Products. Later, Patent Owner informed Activision that it

intended to add the Destiny Products to the Activision Case, but had not done so as of this Decision.

The Board noted that the Supreme Court reaffirmed the “fundamental nature” of the rule that a non-party is not estopped, precluded or otherwise bound by litigation in *Taylor v. Sturgell*, 553 U.S. 880, 893, 898 (2008). In the *Taylor* case, the Supreme Court also provided six categories of exceptions: “(1) the non-party ‘agrees to be bound’; (2) a pre-existing substantive legal relationship[]’ with the named party justifies binding the non-party; (3) the non-party, ‘in certain limited circumstances,’ is ‘adequately represented’ by a party with the same interests; (4) the nonparty ‘assume[d] control’ over the proceeding; (5) the non-party is bound by a prior decision and is attempting to rehear the matter through a proxy; and (6) a ‘special statutory scheme . . . expressly foreclos[es] successive’ hearing by non-parties.”

Patent Owner argued that this case involves the second and fourth categories in *Taylor*. Specifically, Patent Owner argued that “[b]y the express terms of the Agreement, Activision had at minimum an opportunity to control this [*inter partes* review] through its contractual right to review and approve [Petitioner]’s legal reviews underlying the [*inter partes* review], its participation in the meetings of [Petitioner]’s Board of Directors, and its funding of th[is *inter partes* review] indirectly through payment of Development Advances.” The Board disagreed, stating that Patent Owner had not shown that Activision has an opportunity to control this *inter partes* review and that Patent Owner’s arguments are based on unreasonable assumptions and interpretations of various sections of the Agreement. Specifically, the Board found that Patent Owner had not shown that this proceeding involving the ’501 patent fell within the scope of the “legal review[] of the Products” under a section of the Agreement. Similarly, the Board found that provisions giving Activision a right to withhold approval of a merger or consolidation of Petitioner with another company and to designate one person to attend and participate as a non-voting observer in all meetings of Petitioner’s Board of Directors did not show that Activision has an opportunity to control this proceeding. Also, the Board found that provisions requiring Activision to provide Development Advances to fund the costs of creation and development of the Products and otherwise cover day-to-day overhead and operational expenses that are reasonably necessary and related to the creation and development of the Products, did not include funding an *inter partes* review proceeding. Thus, the Board was not persuaded that Patent Owner had demonstrated that the Agreement gave Activision any opportunity to control this proceeding. Additionally, the Board was not persuaded that the working relationship between Petitioner and Activision met the *Taylor* exception of a pre-existing substantive legal relationship. Accordingly, the Board was not persuaded that Activision is an unnamed real party in interest in this proceeding.

***Bungie, Inc. v. Worlds Inc.*, IPR2015-01319**

Paper 14: Decision on Institution of *Inter Partes* Review

Dated: December 7, 2015

Patent: 8,082,501 B2

Before: Karl D. Easthom, Kerry Begley, and Jason J. Chung

Written by: Begley

Related proceedings: *Cordelia Lighting, Inc. v. Zhejiang Yankon Group Co., Ltd. et al.*, No.

5:14-cv-00881-JGB-SP (C.D. Cal.); *Cordelia Lighting, Inc. v. Zhejiang Yankon Group Co., Ltd., et al.*, No. 15-1698 (Fed. Cir.).

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