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PTAB Invalidates Two Cisco Patents Found Valid and Infringed at the ITC

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The Patent Trial and Appeal Board ("PTAB") issued Final Written Decisions regarding Cisco's U.S. Patent Nos. 6,377,577 (the "'577 Patent") and 7,023,853 (the "'853 Patent") on May 25, 2017 and U.S. Patent No. 7,224,668 (the "'668 Patent") on June 1, 2017. The PTAB found the '577 and '668 Patents invalid but upheld the validity of the '853 Patent. The *Inter Partes* Review ("IPR") proceedings were brought by Arista Networks in retaliation to Cisco's accusations of infringement brought in multiple venues, including at the U.S. International Trade Commission ("ITC"), which had just a few weeks earlier upheld the validity of these very same patents and determined that Arista infringed the '577 and '668 Patents, and issued exclusion and cease and desist orders accordingly. Since the IPR decisions issued Arista has filed a petition asking the ITC to suspend its limited exclusion order regarding the '577 Patent based on the PTAB's decision and is expected to file a similar request with respect to the '668 Patent. On the other side, Cisco plans to appeal the PTAB's decisions to the Federal Circuit. The uncertainty created by these inconsistent outcomes is an issue for patent owners, and it will be interesting to see how these cases are resolved. In addition, this case shows that even though the ITC does not stay its investigations for IPRs, IPRs may still impact ITC proceedings.

Cisco initiated ITC Investigation No. 337-TA-945 against Arista on December 18, 2014, alleging that Arista's networking products and software infringed six Cisco patents, including the '577, '853, and '668 Patents. On May 5, 2017, a few weeks prior to the issuance of the IPR Final Written Decisions, the ITC issued its opinion and a limited exclusion order barring the unlicensed entry of any Arista network devices and related components and software that infringed the '577 and '668 Patents. The order was based in part on a determination that the '577 and '668 Patents were valid and infringed. (Investigation No. 337-TA-945, Commission Opinion.) The ITC found that Arista did not infringe the '853 Patent. The ITC declined to find the '577 and '853 Patents invalid based on the doctrine of assignor estoppel. Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent from later contending that what was assigned is worthless. As many Arista employees previously worked at Cisco, the ITC found that Arista could not assert that the '577 and '853 Patents were invalid. However, in its ruling the ITC noted that, had assignor estoppel not applied, the infringed claims of the '577 Patent would have been found anticipated by the Feldmeier reference. Regarding the '668 Patent, the ITC found that it was not invalid in view of the JUNOS Guide, Amara, or any combination presented by Arista. The ITC also noted that Arista did not attempt to prove that a stay of the investigation due to the IPRs was warranted.

Arista filed IPR petitions of the '577, '853, and '668 Patents on December 9, 2015, almost a year after Cisco filed the ITC complaint and the IPRs were instituted in June 2016. In its Final Written Decisions for the'577 and '853 Patent IPRs, the PTAB found that assignor estoppel does *not* apply. Even though the ITC had found that Arista was precluded from arguing that the '577 and '853 Patents were invalid, the PTAB ruled differently, saying assignor estoppel does not apply in IPR proceedings. Further differentiating its approach from that of the ITC, the PTAB found that the '577 Patent was invalid as obvious in view of the Huey reference in combination with the ATM UNI Specification, not the Feldmeier reference on which the ITC would have found it invalid had assignor estoppel not applied. Arista used a similar strategy in the IPR of the '668 Patent, again presenting different prior art references to challenge the validity of the '668 Patent than it had at the ITC and again successfully invalidated the patent unlike the outcome at the ITC.

For the ITC determination, the Presidential Review Period elapses and the ITC's exclusion orders go into effect on July 4, 2017. For the IPRs, an appeal to the Federal Circuit must be filed within 63 days after the Final Written Decision or a decision on rehearing is issued. Here, it is likely that Cisco will appeal the PTAB decisions after the July 4 th deadline for the ITC's exclusion orders to go into effect.

The results here clearly illustrate the potential uncertainty that can result from our current system. It will be interesting to see whether the ITC rescinds its exclusion orders in light of the IPR decisions and whether it allows its orders to go into effect while the Federal Circuit appeal of the IPRs is pending, thereby giving Cisco some period of exclusion even though the patents were invalidated by the PTAB.

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