

Import Ban Ruling Shows PTAB Orders Cut Little Ice At ITC

By **Ryan Davis**

Law360, New York (August 7, 2017, 8:00 PM EDT) -- A recent decision by the U.S. International Trade Commission maintaining an import ban on products it found to infringe patents, even after those patents had been declared invalid by the Patent Trial and Appeal Board, shows how tough it is to use PTAB rulings as a defense at the commission, experts say.

The ITC has indicated before that it is not willing to give much deference to the PTAB's decisions since its judges have uniformly declined to stay infringement cases after the board agrees to review a patent, and the **July 20 ruling** refusing to lift an exclusion order on Arista Networks Inc. crystallizes that position.

The ITC issued the order banning imports of Arista's computer networking switch products in **early May** after finding that they infringed two patents owned by Cisco Systems Inc. Weeks later, however, the **PTAB found** that the patents at issue were invalid in an America Invents Act inter partes review, prompting Arista to ask for the ban to be rescinded.

The ITC rejected the request, saying the PTAB's decisions "do not constitute a changed circumstance such that the remedial orders should be rescinded" because the patents will not be officially invalidated until all of Cisco's appeals of the board's rulings are exhausted.

That keeps Arista's products off the U.S. market for at least a year or more while Cisco appeals. This unfortunate result for the company illustrates that a PTAB victory for an accused infringer may not translate into further victories at the ITC.

"I think it sends a shot across the bow," Eric Schweibenz of Oblon McClelland Maier & Neustadt LLP. "If anyone was thinking the PTAB could be used as sort of a get-out-of-jail-free card at the ITC, I don't think that's going to happen."

He said there is "no doubt" the exclusion order will be lifted if the the board's ruling is upheld on appeal, but the ITC has indicated it likely won't take that step based on a PTAB decision. He cautioned against reading too much into one decision by the ITC that could hinge on the specific facts of the case, but said that "it's definitely something litigators should be watching."

"The ITC is almost treating the [PTAB] decision like nothing matters until it gets affirmed, even though everyone knows something changed and it's a pretty big deal," he said.

The idea of the ITC upholding an exclusion order based on patents that have been found invalid may sound strange, "but if you know the ITC well, it's not surprising," said Aarti Shah of Mintz Levin Cohn Ferris Glovsky & Popeo PC.

"The ITC thinks, and I think rightfully so, that the judgment of its judges is second to none," she said. "PTAB judges are co-equal, so the ITC doesn't see a need to defer to them."

The ITC's practice of not staying cases when the PTAB decides to review a patent "is tremendous for patentees," she added. "They don't want the first crack at a validity challenge to be by the PTAB," which is known for invalidating many of the patents it reviews.

The ITC's decision not to lift the exclusion order is also tied to its speedy procedures set by the statute that created the commission. The ITC aims to reach decisions in less than 18 months, and is therefore loath to issue stays or take other actions that would prolong a case.

"This decision is a confirmation of what we've known for years: The ITC doesn't let much get in the way of its statutory mandate, which is to complete investigations 'at the earliest practicable time,'" said David Maiorana of Jones Day.

The ITC said in its decision that the legal status of Cisco's patents will change only when the USPTO issues a certificate canceling the claims, which would occur when all of Cisco's appeals of the PTAB's decision are exhausted.

The odds are good that the board's finding will be upheld on appeal to the Federal Circuit, which in 2016 affirmed the PTAB 72 percent of the time, according to statistics **compiled by Law360**. But Arista's products will be barred from entering the U.S. while Cisco's appeals are pending.

"It's unfortunate for the accused infringer that it has to deal with the headache of an ITC exclusion order until the Federal Circuit resolves the case," Schweibenz said.

It could take over a year before the Federal Circuit rules, but since the case is a hard-fought dispute between the two rivals, it is not difficult to imagine that Cisco could seek an en banc rehearing or U.S. Supreme Court review of any decision invalidating its patents. If that happens, it could be years before its appeals are exhausted.

Arista said that it is "deeply disappointed" in the decision, which it described as an "unfortunate departure from precedent and from the core premise of the AIA" that "raises highly troubling questions" for accused infringers in ITC cases.

Cisco, whose ITC suit against Arista was part of a contentious patent battle between the two rivals, said it believes the commission's decision not to rescind the order "sent a strong message" to Arista to stop using its intellectual property.

The outcome of the case is closely tied to the timing of proceedings at the ITC and the PTAB. It is possible that had the PTAB decision finding the patents invalid come before the commission ruling, it might not have issued an import ban, although it could also have taken the same position that the board's ruling is not the last word on validity.

A PTAB ruling is unlikely to occur before an ITC ruling — inter partes review petitions are usually filed after a company has been sued for infringement, and they take several months to prepare. ITC decisions are typically handed down 16 or 17 months after a complaint is filed, while the PTAB is required by the AIA to reach a final decision 18 months after a petition.

So if a company is hit with an ITC complaint on one day and files a PTAB petition the next day, which is probably impossible, the ITC would still likely rule first. An exception would be if there was a suit in district court that prompted a PTAB petition, and the ITC case came later.

"It really does come down to a matter of timing," Schweibenz said. "Here, the timing was unfortunate for the accused infringer because they got a positive decision at the PTAB, but it happened later than they would have wanted."

Since a PTAB ruling invalidating the patent apparently won't persuade the ITC to rescind an exclusion order, accused infringers need to take other steps, Maiorana said.

"To me, it just emphasizes what we've said for years, which is that if you are a respondent at the ITC, you need to quickly look at design-around options," he said.

If a company can redesign the accused product so that it no longer infringes, an ITC exclusion order would not impact its business, he noted.

The outcome for Arista, which won at the PTAB yet lost at the ITC, raises the question of whether

inter partes reviews are worth it for accused infringers at the ITC. Brian Busey of Morrison & Foerster LLP said they are, since they can be used as leverage to get the patent owner to settle.

"I still think IPRs are valuable, even if there is no guarantee you're going to get immediate relief from the commission," he said.

The case is In the Matter of Certain Network Devices, Related Software and Components Thereof (II), investigation number 337-TA-945, in the U.S. International Trade Commission.

--Editing by Philip Shea and Katherine Rautenberg.