Magic! Now You See the Patent, Now You Don't!

By the Banner & Witcoff PTAB Group

November 15, 2018 — *Inter partes* reviews (IPRs) continue to kill patents. And they do so in some amazing situations. One is where the patents challenged in the IPRs were once owned by their current challengers. It's a situation of magic! Now you see—once you saw—my patent, now it's gone!

A recent decision of the U.S. Court of Appeals for the Federal Circuit shows off the sleight of hand played by some former patent owners. In *Arista Networks, Inc. v. Cisco Systems, Inc.*,[i] a patent was confirmed canceled. At the time of invention, the inventors were employees of Cisco, the patent owner. The lead inventor, a Dr. Cheriton, was employed at Cisco as a chief product architect and technical advisor. He assigned the invention to Cisco, and Cisco's attorneys patented it.[ii] In his assignment, the good doctor agreed "to do everything possible to aid said assignee [Cisco] … in obtaining and enforcing patents for said invention."[iii]

But in this drama, the next relevant event was that Cheriton and at least 13 other Cisco employees left Cisco, *to found Arista, the challenger of the Cheriton patent.*[iv] Cheriton elevated to chief scientist, director on the board of directors, and *one of Arista's largest shareholders.* Arista currently has revenues of $1.6 billion, a stock price of $238, and Forbes estimates Cheriton to have a net worth of $6 billion.[v]

Act three: Cisco sued in the International Trade Commission (ITC) to block imports of Arista's products, which were covered by Cisco's Cheriton patent.[vi] The ITC investigated, found infringement, and issued an exclusion order.[vii] The Federal Circuit affirmed. Along the way, Cheriton resigned from employment with Arista, and Arista filed the IPR for the Cheriton patent.

Cisco, not to any surprise, asserted in the IPR that as an inventor and assignor of the patent to Cisco, Cheriton had bound himself and Arista by contract and by virtue of the patent law doctrine of assignor estoppel against challenging the patent.[viii]

The Federal Circuit *Arista* panel, made up of Chief Judge Prost and Judges Schall and Chen, did not agree. They found no ambiguity in the language of the IPR statutes that an IPR could be brought by "a person who is not the owner of a patent."[ix] Instead of being estopped, "an assignor, who is no longer the owner of a patent, may file for IPR."[x] Never mind, one might reason, that the language "a person who is not the owner" has a time reference aspect to it, among the possibilities of reference to the present,[xi] and alternatively, reference to any and all times of existence of the patent and its application.[xii]

To the extent the IPR had ended with claims declared invalid and canceled, the decision of the Patent Trial and Appeal Board (PTAB) was affirmed. To the extent claim construction had blocked cancelation of a few claims, the construction was overruled and the PTAB was sent the case for a possible complete cancellation of challenged claims.[xiii]

Cheriton and Arista, as it happened, worked magic, to their benefits. The Cisco Cheriton patent, to the extent challenged, has partially gone "poof!" and may yet go "poof!" completely. Magic! Around the time Cheriton invented it, you could see the patent. But after Cheriton bolted Cisco to found Arista and become a billionaire, and after the ITC found the patent infringed and ordered product exclusion, the patent (as challenged) ceased to exist. Now you see the patent, now you don't! Magic, worked by the inventor himself. Amazing! An amazing situation of IPR killing a patent.

For more information on this or any other PTAB or IPR topic, please contact the author, Charles Shifley, the reviewer, Justin Philpott, or any Banner & Witcoff lawyer.

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The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer frequent summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.

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[i] 2017-1525 (Fed. Cir. November 9, 2018).
[ii] See U.S. Patent 7,340,597; Public PAIR for the patent at Power of Attorney.
[iii] Slip op. at 4.
[iv] Id.
[v] https://www.google.com/search?q=arista&rlz=1C1GCEB_enUS803US803&oq=arista&aqs=chrome.. [space added] 69i57j0l5.1556j0j8&sourceid=chrome&ie=UTF-8 and https://en.wikipedia.org/wiki/David_Cheriton
[vi] *Cisco Systems, I,c. v. Intern. Trade Comm'n.*, 873 F.3d 1354, 1356 (Fed. Cir. 2017).
[vii] Id.
[viii] The *Arista-Cisco* decision being discussed, at 17, noted the doctrine started at least as early as 1924 in the Supreme Court.
[ix] Id. 21.

[x] Id. 22.
[xi] *E.g., Price Waterhouse v. Hopkins*, 490 U.S. 228, 240-241 (1989) ("The present, active tense of the operative verbs … ("to fail or refuse") … turns our attention to the actual moment of the event in question …")
[xii] *E.g., Robinson v. Shell Oil Co.*, 519 U.S. 337, 339-346 (1997) ("'employees' includes former employees").
[xiii] Id. 1, 5, 24.