

**UNITED STATES PATENT AND TRADEMARK OFFICE**

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**BEFORE THE PATENT TRIAL AND APPEAL BOARD**

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Cisco Systems, Inc.,

Petitioner,

v.

Zugara, Inc.,

Patent Owner.

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IPR2026-00266

U.S. Patent No. 10,200,654

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**PATENT OWNER'S BRIEF ON DISCRETIONARY DENIAL  
PURSUANT TO 35 U.S.C. §§ 314(a) AND 325(d)**

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**PATENT OWNER'S EXHIBIT LIST**

| Exhibit<br>Number | Description                                                                    |
|-------------------|--------------------------------------------------------------------------------|
| 2001              | Email by Patent Owner's Patent Broker to Petitioner                            |
| 2002              | Email by Patent Owner's Patent Broker to Petitioner                            |
| 2003              | Emails by Patent Owner's Licensing Agent to Petitioner                         |
| 2004              | Email exchange between Petitioner's Counsel and Patent Owner's Licensing Agent |
| 2005              | Declaration of Cortney S. Alexander                                            |

## I. INTRODUCTION

Patent Owner Zugara, Inc. (“Zugara” or “Patent Owner”) submits this Preliminary Response and respectfully requests that the Director exercise discretion to deny institution of this inter partes review (“IPR”) of U.S. Patent No. 10,200,654 (the “’654 Patent”) in its entirety. Two independent and mutually reinforcing grounds compel denial.

First, and most fundamentally, Zugara has settled expectations that the ’654 Patent will not be challenged. The ’654 Patent issued on February 5, 2019, and has been in continuous force for more than seven years as of the filing date of this Petition. Under the Director’s March 26, 2025, Interim Processes for PTAB Workload Management (“Process Memorandum”) and the Director’s own recent discretionary denial decisions, a patent in force for approximately eight years already gives rise to settled expectations warranting denial of institution. *See Dabico Airport Sols., Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 at 2 (PTAB June 18, 2025). The settled expectations analysis is even more compelling here because Cisco had actual knowledge of the ’654 Patent well before filing this Petition: Zugara has been communicating with Cisco about the ’654 patent (and the underlying application) for several years, Cisco was sued for infringing the ’654 Patent in April 2025, received detailed claim-by-claim infringement contentions, engaged in active litigation for nearly a year, and yet made no attempt to seek inter partes review

during that entire period. *iRhythm Techs., Inc. v. Welch Allyn, Inc.*, IPR2025-00363, -00374, -00377, Paper 10 (PTAB June 6, 2025).

Second, the prior art and arguments advanced in the Petition are substantially the same as those considered during prosecution of the '654 Patent, and Cisco has failed to demonstrate any material Examiner error, which warrants denial under 35 U.S.C. § 325(d). The Petition's merits are also far from compelling, providing no basis to overcome the strong grounds for discretionary denial.

For these reasons, and as detailed below, the Director should deny institution in its entirety.

## **II. BACKGROUND**

### **A. The '654 Patent**

The '654 Patent, entitled "Systems and Methods for Real Time Manipulation and Interaction with Multiple Dynamic and Synchronized Video Streams in an Augmented or Multi-Dimensional Space," was filed on February 27, 2013, and issued on February 5, 2019. The '654 Patent is assigned to Zugara, Inc., a company that has commercialized video collaboration technology since at least 2009. The patent is directed to systems and methods enabling multiple users to simultaneously participate in a shared augmented reality video chat experience, wherein each participant can see, manipulate, and interact with virtual 3D objects within

synchronized, real-time video streams—a genuine technical advance over the AR systems that preceded it.

The underlying patent application was published on August 28, 2014, as U.S. Publication No. 2014/0240444 A1. The '654 Patent itself, as an issued patent, has been publicly available and listed in USPTO databases since February 5, 2019. As of the March 4, 2026, filing date of this Petition, the '654 Patent has been in continuous force for over seven years.

### **B. Cisco's Knowledge of the '654 Patent**

Cisco had ample actual and constructive notice of the '654 Patent well before filing this Petition. At minimum, Cisco had constructive notice of the patent application upon its publication in August 2014 and of the issued patent upon its issuance in February 2019. As a major participant in the video conferencing and collaboration technology market—and a direct competitor of Zugara in the augmented reality collaboration space—Cisco had both the means and incentive to monitor published applications and issued patents in this field.

Beyond constructive knowledge, Cisco had actual knowledge in January 2016 of U.S. Patent Application No. 13/778,430 (which ultimately issued as the '654 patent) when it received communication from Zugara's patent broker with an offer to explore a strategic partnership with Zugara. Exhibit 2001 at 2. Additionally, Cisco received actual knowledge of the '654 patent in March 2019 when it received a

communication from Zugara's patent broker with an offer to sell the '654 patent and/or explore a strategic partnership with Zugara. Exhibit 2002.

Zugara's patent broker also contacted Cisco in December 2022 regarding a sale of all Zugara patents and again in October 2024 regarding licensing all Zugara patents (both of which referenced the '654 patent). Exhibit 2003. In October 2024, Cisco's outside counsel responded that "Cisco has previously reviewed Zugara's patents and passed on opportunities to acquire them." Exhibit 2004 (highlighting added).

Moreover, Cisco had additional actual knowledge of Zugara's allegation of infringement no later than April 8, 2025, when Zugara filed suit asserting infringement of the '654 Patent. *Zugara, Inc. v. Cisco Systems, Inc.*, No. 2-25-cv-00437 (E.D. Tex.). Cisco then engaged in nearly a year of active district court litigation, receiving and analyzing Zugara's Preliminary Infringement Contentions that mapped each element of the asserted claims to Cisco's products. Cisco thus had not merely constructive but concrete, claim-by-claim knowledge of the '654 Patent for nearly a year before filing the Petition yet made no attempt to seek *inter partes* review during that time.

### **C. The District Court Action and Cisco's Role in Procuring Dismissal**

Zugara filed suit against Cisco in the Eastern District of Texas in April 2025. The parties litigated actively: Zugara served comprehensive Preliminary

Infringement Contentions, Cisco analyzed and responded to those contentions, and the court issued a scheduling order establishing case deadlines. Throughout the course of the litigation, Cisco repeatedly demanded dismissal of the District Court Action. On February 24, 2026—eight days before the filing of this Petition—Zugara dismissed the District Court Action without prejudice because Cisco’s overly aggressive litigation tactics and failure to comply with basic discovery had rendered the case financially unviable for Zugara, a small company.

The sequence of events is telling. Cisco spent the litigation pressing for dismissal, and eight days after obtaining that dismissal, filed this IPR Petition. A party that persistently demands dismissal of district court proceedings and then immediately files an IPR upon receiving that dismissal cannot credibly claim that the *Fintiv* factors have been neutralized. The inference is clear: Cisco’s cynical litigation conduct was at least in part designed to create a procedural posture favorable to an IPR filing.

#### **D. The Petition**

Cisco filed this Petition on March 4, 2026, challenging claims 1, 12–17, 19, 21–23, 26–27, 29–30, 32–36, 43–50, and 53 of the ’654 Patent as obvious under 35 U.S.C. § 103 based on Rosenthal (U.S. Pub. No. 2007/0242066) alone and in combination with Vesely (U.S. Pub. No. 2012/0162384). Neither reference was cited

during prosecution. The Petition is accompanied by the declaration of Dr. Henry Houh. Ex. 1003.

### **III. ARGUMENT**

#### **A. The Director Should Deny Institution Because Zugara Has Well-Settled Expectations That the '654 Patent Will Not Be Challenged**

The Director's March 26, 2025, Process Memorandum identifies "settled expectations of the parties" as a core discretionary factor to be weighed before referring any petition to a PTAB panel for merits review. USPTO Interim Processes for PTAB Workload Management (Mar. 26, 2025). This factor has since become dispositive in multiple Director decisions. In *iRhythm Techs., Inc. v. Welch Allyn, Inc.*, the Director denied institution of five related IPRs because the petitioner had cited the then-pending application that became the challenged patent in an IDS filed in its own application more than a decade earlier, giving rise to settled expectations that no challenge would be made. IPR2025-00363, -00374, -00377, Paper 10 at 3 (PTAB June 6, 2025). In *Dabico Airport Sols., Inc. v. AXA Power ApS*, the Director extended that logic expressly, holding that "the challenged patent has been in force almost eight years, creating settled expectations" sufficient to deny institution—regardless of whether the petitioner had actual knowledge of the patent during the relevant period. IPR2025-00408, Paper 21 at 2 (PTAB June 18, 2025).

The '654 Patent has been in force for more than seven years as of the Petition filing date. Every factor the Director has identified as relevant to settled expectations favors denial here, and several are stronger than those present in *iRhythm* and *Dabico*.

***1. The '654 Patent Has Been in Force for Over Seven Years***

The '654 Patent issued on February 5, 2019. The Petition was filed on March 4, 2026—seven years and twenty-seven days after issuance. The Director has made clear that a patent in force almost eight years already crosses the threshold for settled expectations. *Dabico*, IPR2025-00408, Paper 21 at 2. The '654 Patent falls squarely within that window.

The underlying application was published as U.S. Publication No. 2014/0240444 A1 on August 28, 2014—nearly twelve years before this Petition was filed. Publication of a patent application places the world on constructive notice of the claimed invention. A company of Cisco's size and sophistication, operating directly in the augmented reality video conferencing market, had no legitimate basis to remain unaware of a published application directly relevant to its commercial products for over a decade. The extended period during which the application was publicly available, and then the patent itself has been in force, reinforces the strength of Zugara's settled expectations.

As the Director confirmed in *Dabico*, constructive notice alone is sufficient to support settled expectations. IPR2025-00408, Paper 21 at 2–3. Cisco cannot argue that it lacked notice of the '654 Patent given the public availability of both the application and the issued patent for many years.

## ***2. Cisco Had Actual and Constructive Notice of the '654 Patent***

Unlike *Dabico*, where the Director relied on constructive notice alone, the settled expectations analysis here is reinforced by Cisco's actual knowledge of the '654 Patent. As a direct competitor of Zugara in the augmented reality video collaboration market, Cisco had both motive and opportunity to monitor relevant patents in this space. Cisco, a company with substantial IP monitoring resources, cannot credibly claim ignorance of a patent covering technology that a direct competitor was actively commercializing in a market Cisco itself occupies.

Beyond constructive knowledge, Cisco had actual knowledge in January 2016 of U.S. Patent Application No. 13/778,430 (which ultimately issued as the '654 patent) when it received a communication from Zugara's patent broker with an offer to explore a strategic partnership with Zugara. Exhibit 2001 at 2. Additionally, Cisco received actual knowledge of the '654 patent in March 2019 when it received communication from Zugara's patent broker with an offer to sell the '654 patent and/or explore a strategic partnership with Zugara. Exhibit 2002.

Zugara’s patent broker also contacted Cisco in December 2022 regarding a sale of all Zugara patents and again in October 2024 regarding licensing all Zugara patents (both of which referenced the ’654 patent). Exhibit 2003. In October 2024, Cisco’s outside counsel responded that “Cisco has previously reviewed Zugara’s patents and passed on opportunities to acquire them.” Exhibit 2004 (highlighting added).

Moreover, by no later than April 8, 2025, Cisco had concrete, actual knowledge of not only the ’654 Patent but also Zugara’s specific infringement contentions against Cisco’s products. Zugara served Preliminary Infringement Contentions mapping each element of the asserted claims to Cisco’s accused products. Cisco thus had detailed, claim-by-claim knowledge of the ’654 Patent and its application to Cisco’s products for nearly a full year before filing the Petition yet made no effort to seek inter partes review during that period. This pattern—actual knowledge followed by deliberate inaction followed by a last-minute IPR—parallels exactly the conduct found to support settled expectations in *iRhythm*. *iRhythm*, IPR2025-00363, Paper 10 at 3.

### ***3. Cisco's Failure to Seek Timely Review Confirms Settled Expectations***

The Director has emphasized that “failure to seek early review” is central to the settled expectations analysis. *iRhythm*, IPR2025-00363, Paper 10 at 3. That failure is glaring here. Cisco had at minimum constructive notice of the ’654 Patent

upon issuance in February 2019 and upon publication of the underlying application in August 2014. It had actual notice no later than April 2025. Yet Cisco chose not to file an IPR petition at any point during the seven-plus years the patent has been in force—until Cisco found itself on the wrong end of an infringement suit and, having obtained dismissal of that suit, pivoted immediately to the PTAB.

The contrast with a diligent petitioner is instructive. A challenger that monitored the relevant patent space, identified a potentially invalid patent promptly upon issuance, and filed an IPR petition within a reasonable time would not face a settled expectations bar. Cisco is the opposite: it sat on any invalidity arguments for years, was sued, litigated the case through substantial merits discovery, and only sought IPR after the district court action it had been demanding be dismissed was dismissed without prejudice. This is precisely the delay-and-deflect strategy that the settled expectations doctrine is designed to prevent.

Nor can Cisco argue that the filing deadline under 35 U.S.C. § 315(b) somehow excuses its delay. The one-year bar is a ceiling, not a floor. The fact that Cisco filed within the statutory window does not insulate it from the Director's discretionary denial authority under 35 U.S.C. § 314(a). The Director's settled expectations doctrine is a policy judgment about efficient use of Office resources that operates independently of and in addition to the statutory time bars.

#### ***4. No Countervailing Circumstances Overcome Settled Expectations***

The Director has recognized that certain countervailing circumstances can rebut a settled expectations finding, including: (a) a showing that the USPTO committed a material error during examination; (b) changes in law or new judicial precedent issued since the claims issued; or (c) compelling economic, public health, or national security interests. None of those circumstances are present here.

Cisco has not demonstrated—and cannot demonstrate—a material Examiner error. The Petition advances an obviousness combination under 35 U.S.C. § 103 using prior art that was available during prosecution. The Examiner conducted a thorough examination over the course of the application’s prosecution history (Ex. 1002), and Cisco has identified no specific error in that examination. The Director has previously denied institution where the petitioner failed to establish a persuasive showing of material Examiner error.

There have been no relevant changes in law or new judicial precedent that would alter the patentability analysis for the challenged claims since the ’654 Patent issued in 2019. And this is a commercial patent dispute between sophisticated technology companies—no compelling public interest weighs in favor of institution. Accordingly, the settled expectations analysis is unambiguous: the Director should deny institution.

## **B. Discretionary Denial Is Also Warranted Under 35 U.S.C. § 325(d)**

Section 325(d) independently supports denial. Under that provision, the Director may decline to institute where “the same or substantially the same prior art or arguments previously were presented to the Office.” 35 U.S.C. § 325(d). The two-part *Advanced Bionics* framework asks: (1) whether the same or substantially the same art or arguments were previously before the Office; and (2) if so, whether the petitioner has shown that the Office erred in a manner material to patentability. *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential).

First, Rosenthal and Vesely are cumulative of the prior art considered during prosecution. Rosenthal discloses virtual camera systems for inserting 3D objects into video conferencing streams—the same concept addressed by prior art the Examiner evaluated. Vesely’s collaborative 3D visualization and hand-gesture manipulation techniques are likewise cumulative of human-computer interaction references that were within the scope of the Examiner’s consideration. The Examiner allowed the claims over the relevant prior art precisely because the ’654 Patent’s claimed multi-user synchronization architecture was not taught or suggested by any combination in that art.

Second, Cisco has not demonstrated any material Examiner error. Dr. Houh’s declaration offers only conclusory assertions that the challenged claims would have

been obvious. Ex. 1003. That is insufficient under *Advanced Bionics*. Because the art and arguments are substantially the same as those previously considered, and because Cisco has identified no material error in the Examiner's allowance, the Director should deny institution under § 325(d).

### **C. The Petition's Weak Merits Further Support Denial**

Even where settled expectations and *Fintiv* factors favor denial, the Director may consider whether a petition presents a compelling, meritorious challenge. This Petition does not. Its central theory depends on Rosenthal teaching each element of independent claims 1 and 32, but Rosenthal discloses only a single-user virtual camera that inserts locally-selected virtual objects (such as a hat or glasses) into an outgoing video stream, and that can optionally send data about a virtual object over a separate bidirectional channel. This is fundamentally different from the 654 Patent's claimed architecture, in which the augmented video stream of another participant—already containing embedded 3D virtual objects—is received and multiplexed in real time with the local participant's real-world stream, enabling both participants to simultaneously see, interact with, and manipulate the virtual objects in a shared multi-dimensional space.

Cisco's mapping collapses the critical distinction between (a) transmitting raw virtual object data for independent local rendering, and (b) synchronizing and multiplexing complete augmented video streams across participants—a distinction

the Examiner recognized as the inventive contribution of the '654 Patent. The “extracting” and “translating coordinates” limitations face the same infirmity: Rosenthal’s tracking engine operates only on a user’s own local stream to position locally-inserted objects; it does not perform the claimed operations on virtual objects received from a remote participant’s augmented stream within a composited multi-dimensional space. Dr. Houh’s analysis of these elements is conclusory. Ex. 1003, ¶¶84–102.

The Vesely combination also fails. Vesely discloses an in-person spatial collaboration system using stereoscopic displays and depth cameras—not a video-chat-based multi-user AR synchronization system. Combining Vesely with Rosenthal would require fundamental architectural changes, not the mere incorporation of a known technique into a known system. The combination rests on impermissible hindsight. Because the Petition does not present a compelling meritorious challenge, the merits analysis reinforces rather than overcomes the grounds for discretionary denial.

#### **IV. CONCLUSION**

For the foregoing reasons, Patent Owner Zugara, Inc. respectfully requests that the Director deny institution of IPR2026-00266 in its entirety. The '654 Patent has been in force for over seven years, and Cisco had actual knowledge of it for nearly a year before filing this Petition yet made no attempt to seek timely inter

partes review. Zugara has clear settled expectations that the '654 Patent will not be challenged at this late date—expectations the Director's own recent decisions in *iRhythm* and *Dabico* confirm are entitled to protection. Independently, Cisco's conduct throughout the district court proceedings—repeatedly demanding dismissal and then filing an IPR within eight days of obtaining it—reflects the precise pattern of strategic forum manipulation the Fintiv framework is designed to deter. The prior art and arguments are also cumulative of those considered during prosecution, warranting denial under § 325(d). The Petition should be denied.

Dated: May 5, 2026

Respectfully submitted,  
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## **CERTIFICATE OF SERVICE**

Pursuant to 37 C.F.R. §§ 42.6(e) and 42.105(a) and (b), I certify that on May 5, 2026, a true and accurate copy of this paper was served on the following counsel for Petitioner via e-mail, pursuant to Petitioner's consent to e-mail service:

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### **CERTIFICATE OF WORD COUNT**

Pursuant to 37 C.F.R. § 42.24(d), Patent Owner certifies that the foregoing brief contains 3,112 words, excluding the portions exempted by 37 C.F.R.

§ 42.24(a)(1), as measured by the word-processing software used to prepare the document.

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