

IPR2026-00266

Petitioner's Opposition to Request for Discretionary Denial

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CISCO SYSTEMS, INC.,
Petitioner,

v.

ZUGARA INC.,
Patent Owner.

IPR2026-00266
U.S. Patent No. 10,200,654

**PETITIONER'S OPPOSITION TO PATENT OWNER'S
REQUEST FOR DISCRETIONARY DENIAL**

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PETITIONER'S EXHIBIT LIST

Exhibit No.	Exhibit Description
1001	U.S. Patent No. 10,200,654
1002	File History of U.S. Patent No. 10,200,654
1003	Declaration of Dr. Houh
1004	CV of Dr. Houh
1005	U.S. Pub. No. 2007/0242066 ("Rosenthal")
1006	Preliminary Infringement Contentions ("PIC")
1007	U.S. Pub. No. 2012/0162384 ("Vesely")
1008	Scott Hanselman, <i>2006 is the Year of Video Chat</i> , Hanselman (Jan. 7, 2006), https://www.hanselman.com/blog/2006-is-the-year-of-video-chat
1009	Jonathan Roubini, <i>Yahoo! Messenger</i> , PC Mag UK (Jan. 18, 2006), https://uk.pcmag.com/smb/28728/yahoo-messenger
1010	Microsoft Computer Dictionary, definition of "MPEG," "data compression" and "latency"

I. INTRODUCTION

The Director should deny Zugara's request for discretionary denial and refer the Petition to the Board. The district court action has been dismissed, leaving this proceeding as the sole forum for adjudicating the validity of the '654 Patent's claims. Cisco filed the Petition just eight days after dismissal—using IPR as a true alternative to litigation, precisely as the Director's framework contemplates. *See Magnolia Med. Techs., Inc. v. Kurin, Inc.*, IPR2026-00097, Paper 17 at 3 (PTAB Director May 14, 2026) (precedential).

Zugara's settled expectations are weak—and Cisco's own settled expectations warrant protection. Zugara has twice admitted, first to the Office and later in district court, that it never produced a commercial product practicing the claimed invention. Ex.1002 at 265–267; Ex.1006 at 4. Zugara identifies no licensees and never provided Cisco with any claim chart or product-specific assertion until filing suit in April 2025. Months later, Zugara abandoned those claims after reviewing source code that apparently confirmed non-infringement. A patent that “has not been commercialized, asserted, marked, licensed, or otherwise applied in its technology space” does not give rise to the reliance interests that the Director's framework is designed to protect. *Home Depot U.S.A., Inc. v. H2 Intellect LLC*, IPR2025-00480, Paper 11 at 2 (Director Sept. 4, 2025). The communications Zugara cites—reflecting a decade of generic broker solicitations

sent to Cisco's "patentsforsale" address and also directed to dozens of unrelated companies, none identifying any relevance to Cisco's products—only reinforce this conclusion.

The prosecution history also warrants a second look. The Examiner correctly rejected the claims as obvious over Zugara's own ZugSTAR video and correctly recognized that enablement is irrelevant to a § 103 analysis. Yet after Zugara responded with the very same enablement-based arguments that the Examiner had already deemed irrelevant—and without any new evidence or claim amendments—the Examiner inexplicably withdrew the rejection. This sequence constitutes a substantial apparent allowance error that warrants *inter partes* review. *See, e.g., Padagis US LLC v. Neurelis, Inc.*, IPR2025-00464, Paper 12 (Director July 16, 2025) (informative) (recognizing that prosecution history irregularities can support institution).

Zugara's inconsistent representations also undermine its request. To the public, Zugara marketed ZugSTAR with the statement "Now you can"—presenting the technology as real. Ex.1002 at 303. To the Examiner, Zugara characterized the same video as depicting merely a "hypothetical" system that was never implemented. Ex.1002 at 265–267, 301–303; *see also* Ex.1006 at 4. And now, in this proceeding, Zugara claims to have "commercialized video collaboration

technology since at least 2009” and characterizes Cisco as a “direct competitor.”

DD Brief at 2–3. These assertions cannot all be true.

Finally, Zugara's § 325(d) argument is unsupported. Neither Rosenthal nor Vesely was cited or considered during prosecution, and both are materially different from the art before the Examiner. The first prong of *Advanced Bionics* is therefore not met, so the inquiry ends there. Additionally, the Petition's merits support institution, demonstrating in substantial detail how the prior art renders obvious the challenged claims. Zugara instead resorts to mischaracterization of the prior art and Petitioner's arguments.

II. LEGAL STANDARD

Discretionary denial is a holistic assessment based on the totality of the evidence. No single factor is dispositive. *Magnolia*, IPR2026-00097, Paper 17 at 2. The Director considers, among other things, the settled expectations of the parties, the prosecution history, the relationship between any parallel proceedings, and the public interest. The Office institutes *inter partes* review to “reconsider its own decision and correct a possible error in the original patent grant.” *Id.* at 6 (citing *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1330 (Fed. Cir. 2018) (Dyk, J., concurring)). Where a patent presents a substantial apparent allowance error, that factor can weigh heavily in favor of institution. *Id.*

at 7–8; *see also Microsoft Corp. v. Sandpiper CDN, LLC*, IPR2026-00180, Paper 15 at 3 (Director May 6, 2026); *Padagis*, IPR2025-00464, Paper 12 at 2-3.

III. ARGUMENT

A. Cisco Is Using IPR as a True Alternative to Litigation

Zugara's argument that Cisco should have sought review during the now-ended litigation is contrary to the policy of this Office. *See Magnolia*, IPR2026-00097, Paper 17 at 3. The Director has recognized that IPR is properly an alternative to, not a parallel track alongside, litigation. That is precisely the posture here. Zugara filed suit against Cisco in April 2025, alleging infringement by Cisco's Webex Hologram and related products. *Zugara, Inc. v. Cisco Systems, Inc.*, Case No. 2:25-cv-00437 (E.D. Tex.). After reviewing source code that apparently confirmed non-infringement, Zugara dismissed the case without prejudice on February 24, 2026—eight days before Cisco filed the Petition. There is no underlying trial date, no pending claim construction, and no ongoing discovery. *See Samsung Electronics Co., Ltd. v. CM HK Ltd.*, IPR2025-01023, Paper 12 (Director Oct. 17, 2025) (referring petition to institution where no trial date was set and a challenged patent issued in 2020, one year after the '654 Patent issued). The litigation was still in its infancy, the parties were not yet near *Markman*, and Zugara's own decision to dismiss the case eliminated any concern about duplicative proceedings. *Compare Motorola Solutions, Inc. v. Stellar, LLC*,

IPR2024-01205, Paper 19 at 3 (Director Mar. 28, 2025) (denying institution where litigation had progressed substantially).

B. Cisco's Settled Expectations Outweigh Zugara's

Zugara cannot establish settled expectations in a patent that it never commercialized or licensed and that it abandoned after its first assertion. The Director has recognized that settled expectations are bi-directional: a petitioner may have its own settled expectations where a patent has not been “commercialized, asserted, marked, licensed, or otherwise applied in [the petitioner's] particular technology space.” *Home Depot*, IPR2025-00480, Paper 11 at 2; *Magnolia*, IPR2026-00097, Paper 17 at 8–9. Cisco's settled expectations—that the '654 Patent does not apply to its technology space—are the ones entitled to protection here. The undisputed facts confirm this conclusion. Zugara has twice admitted that it never produced a product that practices the claimed subject matter. Ex.1002 at 265–267; Ex.1006 at 4. Zugara does not, and cannot, identify any practicing licensees. And Zugara's sole assertion of the '654 Patent—its April 2025 lawsuit against Cisco—was abandoned after reviewing source code that apparently confirmed non-infringement.

The communications cited in Zugara's brief only confirm that the '654 Patent has not been “applied in [Cisco's] particular technology space” under the Director's framework. *Home Depot*, IPR2025-00480, Paper 11 at 2. Those

communications consist of generic broker solicitations sent to Cisco's "patentsforsale" email address and to dozens of other unrelated companies—none of which identified any Cisco product relevant to the '654 Patent. *See, e.g.*, Ex.2001 (2016 broker email focused on "dressing room" technology sent to "approximately twenty companies" years before the '654 Patent issued); Ex.2002 (2019 broker email directed to dozens of unrelated companies); Ex.2003 (Dec. 2022 email soliciting "cash deals" for Zugara's entire patent portfolio).

Despite these solicitations spanning more than a decade (*see* Ex.2001), Zugara never once identified a Cisco product as potentially infringing and never explained how its portfolio is relevant to Cisco's technology space until filing suit in April of 2025. Likewise, Cisco did not understand any such relevance. When Cisco responded in late 2024, it stated "[i]n short, we do not see how Cisco would benefit from licensing Zugara's patents" and asked Zugara to explain the "purported relevance of Zugara's patent portfolio to Cisco." Ex.2004. Cisco's settled expectations here are only reinforced by Zugara's decade-long acquiescence—soliciting a purchase of its portfolio without ever identifying allegedly infringing products or explicitly demanding that Cisco license the '654 Patent—followed by Zugara's abandonment of the only infringement claims it ever brought after reviewing source code of allegedly infringing products. *Home Depot*, IPR2025-00480, Paper 11 at 2.

Zugara's authorities do not support a different result. Zugara relies on *Dabico Airport Sols., Inc. v. AXA Power ApS*, IPR2025-00408, Paper 21 (Director June 18, 2025) for the proposition that time in force alone supports denial. But *Dabico* recognized that "[t]here may be persuasive reasons why the Office should review the challenged patent"—it simply found none presented. *Id.* at 2-3. Here, by contrast, Cisco has provided numerous compelling reasons as explained herein. Zugara also cites *iRhythm Techs., Inc. v. Welch Allyn, Inc.*, IPR2025-00363, Paper 10 (PTAB June 6, 2025), but there the petitioner had cited the challenged application in its own IDS a decade earlier—an acknowledgement of its relevance to the petitioner's patented technology. Here, Cisco's "knowledge" consists entirely of generic broker solicitations that never identified any Cisco product, provided any claim chart, or explained how the '654 Patent related to Cisco's technology.

C. The Prosecution History Raises a Substantial Apparent Allowance Error that Warrants a Second Look

The Examiner's withdrawal of the obviousness rejection—after correctly recognizing that enablement is irrelevant to § 103—constitutes a substantial apparent allowance error warranting a second look. The Director has recognized that where the prosecution history reveals such an error, "the Office [has] a strong interest in reconsidering its own decision and correct[ing] a possible error in the

original patent grant.” *Magnolia*, IPR2026-00097, Paper 17 at 6 (citing *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1330 (Fed. Cir. 2018) (Dyk, J., concurring)). The sequence of events here satisfies that standard.

First, during prosecution, the Examiner twice rejected the claims based on Zugara's own prior art—a YouTube video marketing Zugara's ZugSTAR video conferencing product.¹ In a June 15, 2017, Office Action, the Examiner rejected independent claims 1 and 26 (corresponding to issued claims 1 and 32) as anticipated by the ZugSTAR video. Ex.1002 at 211–215. Zugara's response was telling: rather than distinguishing the prior art on its merits, Zugara argued that the video was not an enabling disclosure and submitted the Szymczyk Declaration under 37 C.F.R. § 1.132, in which Szymczyk stated that “some aspects of the augmented reality system illustrated in those portions of the video had not been implemented by or for Zugara” and that “Zugara has never provided any products or services that incorporated all the subject matter of independent claim 1 or independent claim 26.” Ex.1002 at 265–267.

Second, the Examiner responded in a December 29, 2017, Office Action by maintaining the rejection—this time under 35 U.S.C. § 103(a). Ex.1002 at 269–

¹ Zugara, *ZugSTAR – Streaming Augmented Reality*, YouTube (Feb 4. 2010)

<https://www.youtube.com/watch?v=eSFICHkZgkA> (the “ZugSTAR video”).

283. The Examiner rejected Zugara's enablement argument, correctly recognizing that "[a]lthough Zugara is arguably not enabling and cannot anticipate the claim, the claimed subject matter and implementation of it would have been obvious to one of ordinary skill in the art." Ex.1002 at 271–273. This was the correct legal framework: enablement is not required for a reference to render claims obvious. *See* MPEP § 2121.01(II) (citing *Symbol Techs., Inc. v. Opticon, Inc.*, 935 F.2d 1569, 1578 (Fed. Cir. 1991)).

Third, Zugara responded on June 29, 2018, but presented no new evidence and made no claim amendments. Ex.1002 at 290–306. Instead, Zugara merely repeated the same enablement-based argument that the Examiner had already rejected. Zugara argued that the ZugSTAR video does not teach or suggest the “multiplexing” limitation because it depicts only a “hypothetical user experience with hypothetical augmented reality/video conferencing technology” and that “[o]ne of ordinary skill in the art, upon viewing the Zugara video, would recognize that the video...could potentially be generated in any number of ways.” Ex.1002 at 301–303. But this is precisely the enablement argument the Examiner had already correctly identified as legally irrelevant to the § 103 analysis. If the Examiner was correct in December 2017 (and the Examiner was), Zugara's June 2018 response provided no valid basis to withdraw the rejection.

Fourth, a Notice of Allowance was issued on September 17, 2018, without explanation. Ex.1002 at 319–320. The allowance error is apparent on the face of the record: the Examiner withdrew the rejection following Zugara's enablement-based arguments—the very arguments the Examiner had previously (and correctly) deemed legally irrelevant. The Examiner's December 2017 Office Action correctly recognized that a reference need not disclose implementation details to be considered in an obviousness analysis (Ex.1002 at 272–273), yet the Examiner seemingly abandoned this legally correct principle without any intervening claim amendment, new evidence, or explanation.

The substance of the claims confirms that the Examiner's original rejection was correct. The '654 Patent claims, at a high level, a system that combines (or "*multiplex[es]*") a "*real-world video stream*" of one participant with an "*augmented video stream*" comprising a "*virtual object*" from another participant; displays this "*multiplexed video stream*"; and allows both participants to move (or "*extract*" and "*translate*") the "*virtual object*" within the "*multiplexed video stream*." Ex.1001 at 8:30–62, 11:21–51. In essence, the claims require adding a virtual object selected by one conference participant to another's video stream and letting both participants manipulate the virtual object. The claims do not specify

any concrete implementation details above these high-level steps—the very absence the Examiner noted in maintaining the obviousness rejection.²

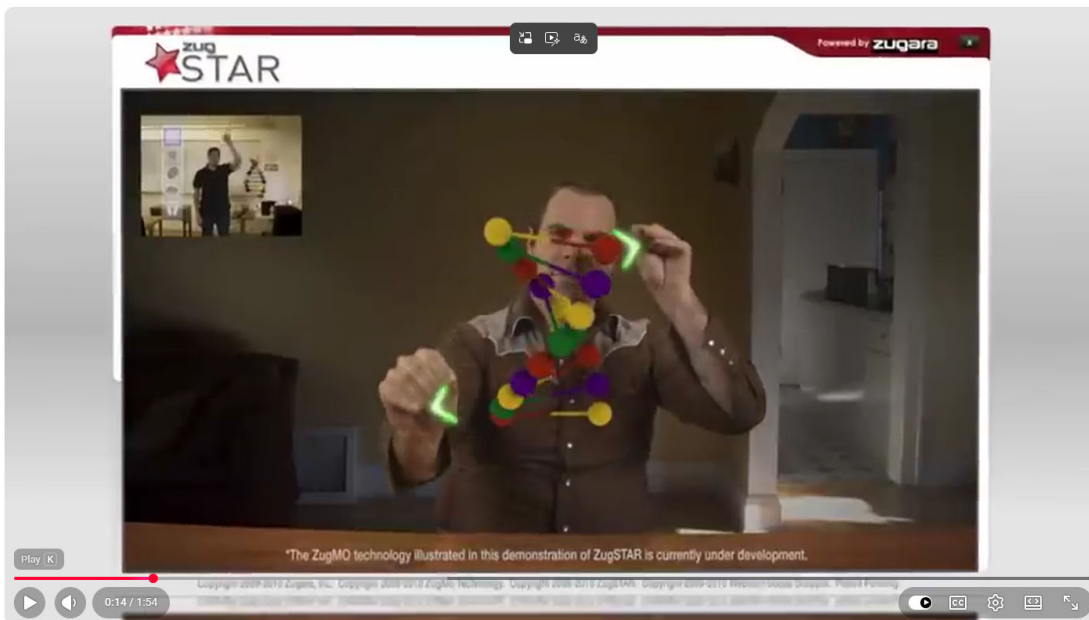
The ZugSTAR video depicts, or at the very least suggests, the claimed functionality. For example, at 0:13 seconds, the video shows one participant selecting a virtual DNA helix object.



² Indeed, the Examiner recognized in the December 27, 2017, Office Action that “[n]o other specific technical implementation details are claimed which would not have been readily apparent to one of ordinary skill in the art from cursory consideration of the system represented in the Zugara video.” Ex.1002 at 272–273.

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The next frame (at 0:14 seconds) shows that the other participant's video feed now includes the that selected DNA helix, with both participants able to manipulate it.



This, for example, teaches or suggests the “multiplexing” limitation that Zugara argued the video did not show. The first screenshot shows one participant selecting a virtual object; the second shows that selected object overlaid onto or inserted into (or “*multiplexed*” with) the real-world video stream of the other participant—exactly the level of detail in the claims. *See* Ex.1001 at 11:30–36 (“multiplexing the augmented video stream...with the real-world video stream...in real time to generate a multiplexed video stream comprising the video of the real-world 3D environment and the one or more 3D virtual objects”), 11:62–12:20 (“wherein multiplexing....comprises overlaying the one or more virtual objects

onto the video of the real-world environment” or “inserting the one or more virtual objects into the video of the real-world environment”).³

The Petition's new prior art—Rosenthal and Vesely—independently confirms that the broad functionality claimed in the '654 Patent was well known. This art was not before the Examiner and is not the basis of the material-error argument, but it demonstrates that the Petition presents a meritorious challenge and that institution would be a productive use of Office resources.

D. Zugara's Inconsistent Representations Reinforce the Case for Review

Zugara's representations about ZugSTAR are materially inconsistent—and bear directly on the Office's assessment of the prosecution history. To the public, the narrator stated: “What if you could combine augmented reality with live video conferencing for real-time interactive communication? *Now you can.* Introducing ZugSTAR technology from Zugara.” Ex.1002 at 303 (emphasis added). To the Office, Zugara characterized the same video as depicting merely a “hypothetical” system. *Id.* at 265–267, 301–303; *see also* Ex.1006 at 4. And now, in this proceeding, Zugara asserts it has “commercialized video collaboration technology

³ Notably, the '654 Patent identifies this interactive “3D DNA model” presentation as one scenario the claimed invention enables. Ex.1001 at 7:34-46.

since at least 2009” and that Cisco is a “direct competitor.” Patent Owner's Brief on Discretionary Denial, Paper 6 (“DD Brief) at 2–3. These contradictory assertions cannot all be true, and they undermine Zugara's credibility before the Office. *See Microsoft*, IPR2026-00180, Paper 15 at 3 (recognizing that Patent Owner conduct during prosecution bears on the inquiry).

E. Zugara's § 325(d) Argument Fails Because the Petition Relies on Art Not Previously Before the Examiner

Zugara contends that discretionary denial is warranted under 35 U.S.C. § 325(d) because the Petition's prior art is allegedly “cumulative” of art considered during prosecution. DD Brief at 12–13. This argument fails at the threshold. Section 325(d) applies only where “the same or substantially the same prior art or arguments previously were presented to the Office.” *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential). The first prong of the *Advanced Bionics* framework is therefore not satisfied here.

Neither Rosenthal nor Vesely was cited, discussed, or considered during prosecution of the '654 Patent. The prior art before the Examiner—principally Junuzovic and the ZugSTAR video—is not the same or substantially the same as Rosenthal or Vesely. Zugara's “cumulative” assertion is cursory and entirely unsupported. Rosenthal discloses a hardware-independent virtual camera system

with a bi-directional data interface for inserting and synchronizing 3D virtual objects in real-time video streams used in video chat applications. Ex.1005 at [0007], [0013], [0070]. Vesely discloses collaborative manipulation of virtual objects in a shared 3D environment. Ex.1007. Neither reference was before the Examiner, and both present materially different obviousness theories than the art that was considered. Prong one of *Advanced Bionics* is not met, and the inquiry ends there.

F. The Petition's Merits Support Institution

Zugara argues that the Petition's merits are "far from compelling" because Rosenthal purportedly discloses only a "single-user virtual camera" and the Vesely combination would require "fundamental architectural changes." DD Brief at 13–14. This mischaracterizes both the prior art and the Petition's theories.

First, Zugara's "weak merits" argument is cursory and unsupported. Zugara fails to actually explain how Rosenthal's purported exclusive "single-user virtual camera" operation does not meet the '654 Patent claim limitations. *Second*, to the extent that Zugara is suggesting that Rosenthal is deficient because it's "tracking engine operates only on a user's own local stream," Zugara is mistaken. DD Brief at 13–14. Rosenthal, for example, expressly discloses a "bi-directional data interface" that supports "interactive capabilities that allow injected content and characteristics to be controllably passed across virtual camera video streams"; for

example, “a local user could throw, e.g., head, a virtual soccer ball to a remote user and the remote user may either head the ball back, or if the ball is missed, a goal may be scored by the local user.” Ex.1005 at [0007], [0013], [0070]. The Petition, supported by Dr. Houh's declaration, maps each claim element to specific disclosures in Rosenthal and explains in detail why a person of ordinary skill would have understood Rosenthal's system to teach or suggest the claimed architecture. *See, e.g.*, Ex.1003 at ¶¶84–102. This is not conclusory—it is a detailed, element-by-element analysis supported by specific citations to the prior art.

As for Vesely, as explained in the Petition and by Dr. Houh, both references are in the same field of collaborative augmented reality, and Vesely's techniques for interacting with and manipulating virtual objects in a 3D scene are complementary to Rosenthal's video-stream compositing infrastructure. Ex.1003 at ¶¶49–61. A person of ordinary skill would have been motivated to combine them because Rosenthal already describes the spatial alignment and scene-compositing framework, and Vesely provides the collaborative manipulation capabilities that Rosenthal's system naturally supports. *Id.* The combination involves applying well-known interaction techniques to an existing compositing system—not “fundamental architectural changes.”

The Petition advances new prior art never considered by the Examiner, supported by detailed expert analysis mapping each claim limitation to specific

disclosures. This is more than sufficient to present a facially meritorious challenge. The merits factor does not weigh in favor of denial.

IV. CONCLUSION

For these reasons, Petitioner Cisco Systems, Inc. respectfully requests that the Director deny Zugara's request for discretionary denial and refer the Petition to the Board for consideration on the merits.

Dated: June 5, 2026

Respectfully submitted,

/Scott Border/

Scott M. Border

Reg. No. 77,744

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6, , the undersigned hereby certifies that a copy of the foregoing **Petitioner's Opposition to Patent Owner's Request for Discretionary Denial** to be electronically served on Petitioner's lead and backup counsel at the following addresses:

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