

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/the-billionaire-professor-behind-new-networking-startup-apstra-1459294850>

TECH

The Billionaire Professor Behind New Networking Startup Apstra

Computer scientist David Cheriton has founded and funded multiple tech winners



David Cheriton was an early investor in Google. PHOTO: APSTRA

By **DON CLARK**

Updated March 29, 2016 8:29 p.m. ET

Computer scientist David Cheriton has been a quiet force behind the scenes in Silicon Valley for decades, using his brains and bank account to fund vendors of equipment that transmits data between computers and over the Internet. Now he wants the customers of those suppliers to feel free to shop elsewhere.

The Stanford University professor, whose early investment in Alphabet Inc.'s Google helped make him a multibillionaire, recently bankrolled a startup called Apstra, which has been working on software for managing networking devices from multiple vendors.

Apstra's software makes it easier to integrate equipment from various suppliers as better options come along, Mr. Cheriton said.

It could reduce customers' reliance on vendors like Cisco Systems Inc.—which first made Mr. Cheriton wealthy in 1996 when it bought a startup he co-founded—and Arista Networks Inc., a leading maker of network switches that he co-founded in 2004.

Network hardware companies tend to lock in customers as they

develop expertise in running particular systems and become accustomed to proprietary features.

Customers “are not able to make a best-of-breed sort of buying decision,” he said. With Apstra, “we enable the customer to make the best decision.”

Such free thinking is nothing new for Mr. Cheriton, who recently was embroiled in a suit that created conflicts with Andy Bechtolsheim, his longtime partner and a renowned engineer and entrepreneur.

Intel Corp. expects to include some of Mr. Cheriton’s ideas in future computer chips.

In a little-noticed move, the technology giant in 2014 purchased Hicamp Systems Inc.—a tiny company that Mr. Cheriton helped start to improve the efficiency of memory circuitry—and he became a senior fellow at Intel.



At Apstra, Mr. Cheriton, center, funded a team led by networking veterans Mansour Karam, left, and Aleksandar Sasha Ratkovic, right. *PHOTO: APSTRA*

He has funded 20 companies to date, by his own count.

“Some people would say he is a contrarian,” said Sam Liang, a former student of Mr. Cheriton who built and sold a startup called Alohar Mobile that received funding from him. “But he is usually proven correct after a few years.”

Mr. Cheriton cemented his contrarian reputation in the 1990s, when he campaigned against a networking technology called asynchronous transfer mode, or ATM, that was favored by telephone carriers.

He preferred Ethernet, which he saw as a simpler, proven option. Ethernet gradually trumped alternatives.

“I saw this ship of fools sailing along,” he said. “The technology made no sense.”

Antipathy toward ATM was something that Mr. Cheriton shared with Mr. Bechtolsheim, a German-born hardware designer who in 1982 had co-founded Sun Microsystems Inc. The pair started Granite Systems Inc., a maker of Ethernet switching systems that Cisco purchased in 1996 for \$220 million in stock.

Their biggest windfall sprang from a meeting in 1998 on Mr. Cheriton’s front porch.

There, Mr. Cheriton introduced Mr. Bechtolsheim to Google founders Larry Page and Sergey Brin and received a quick laptop demonstration of their nascent search engine.

Mr. Bechtolsheim ran to his Porsche to write out a \$100,000 check to Google Inc. before the company was incorporated, and Mr. Cheriton soon pitched in as well. He still owns “a lot” of Google stock, Mr. Cheriton said, without discussing details or his net worth, which Forbes magazine recently put at \$3.5 billion.

They were early investors in VMware Inc., the software company later bought by EMC Corp. in 2003 for \$635 million. They also co-founded Kealia, a maker of video server equipment that was purchased by Sun in 2004.

The same year, they funded what became known as Arista, which went public in 2014 and is currently valued at about \$4 billion.

Preparations for Arista’s public offering brought to light a dispute between that company and another of Mr. Cheriton’s ventures, OptumSoft. OptumSoft, whose software helped Arista make programs for its switching systems, in 2014 filed a suit that accused Arista of breaching a contract.

Mr. Cheriton wound up resigning from Arista’s board; a trust for his children remains one of Arista’s largest shareholders. In lengthy testimony during a trial last September, he called Arista’s behavior “completely unreasonable” and questioned whether Mr. Bechtolsheim should be considered an Arista founder.

Mr. Bechtolsheim, Arista’s chairman and chief development officer, rejected those arguments from the witness stand.

A Santa Clara County Superior Court judge in December ruled that Arista didn’t violate the contract, though other issues in the suit remain.

The conflict created considerable tension, according to people who

know the two men. They won't discuss the case, however, and say they have managed to remain friends and keep investing jointly. Mr. Cheriton stayed at Mr. Bechtolsheim's house in Aspen, Colo., during a recent ski trip, he said.

"That was a professional misunderstanding," Mr. Bechtolsheim said of the OptumSoft suit.

At Apstra, Mr. Cheriton funded a team led by networking veterans Mansour Karam and Aleksandar Sasha Ratkovic, who proposed an alternative approach to what Silicon Valley calls software-defined networking.

Nick Lippis, a networking industry analyst who co-founded a customer organization called Open Networking User Group, said some members have been using the word "game-changer" to describe Apstra. "What they are doing is getting a lot of interest," he said.

Write to Don Clark at don.clark@wsj.com

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.