

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

TESSELL, INC.,
Petitioner,

v.

NUTANIX, INC.,
Patent Owner.

Case IPR2025-00298
Patent No. 11,860,818

**PATENT OWNER'S REQUEST FOR
DIRECTOR REVIEW**

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For the same reasons the Director exercised her discretion to deny institution in related proceeding IPR2025-00322, the Director should reverse the panel's institution decision here because "[i]t is not an appropriate use of Office resources where the inventors applied for and were issued a patent, but, as is the case here, now advocate for its unpatentability." *Tessell, Inc. v. Nutanix, Inc.*, IPR2025-00322, Paper 14 at 1 (P.T.A.B. Jun. 12, 2025) (granting Patent Owner's request for discretionary denial and denying institution of *inter partes* review).

Just like that case, Petitioner Tessell's founders and employees recognized a problem in the art, invented a solution, and marketed the solution. They did so while employed by Patent Owner Nutanix. After profiting a first time from their invention by assigning their rights in the '818 patent to their employer at the time, Nutanix, Balasubrahmanyam Kuchibhotla and Kamaldeep Khanuja left Nutanix and founded Petitioner Tessell, hiring away two other Nutanix employees, Sujit Menon and Maneesh Rawat. Then, these inventors sought to use their new company, Petitioner Tessell, to profit from their invention a second time by using it to compete with Nutanix. Having been sued for infringement of the '818 patent, they now challenge their own patent in this IPR. This is unfair dealing warranting the Director's exercise of discretionary denial under 35 U.S.C. § 314(a), just as in IPR2025-00322. Moreover, these inventors represented in their patent assignment agreement to Nutanix and the Patent Office that they would not execute any documents in conflict

with their assignment (EX2002, 18-20). This created a settled expectation and was an acquiescence as to the patentability of the '818 patent, further warranting discretionary denial.

The grounds raised in the petition also merit discretionary denial at least to promote efficiency. The examiner during prosecution already considered the same art in this proceeding. Petitioner recycles that art and adds an expert declaration. In declining to exercise discretionary denial, the panel erroneously required Nutanix to show that Petitioner's expert testimony and purported background knowledge were before the examiner, which is the incorrect standard under 35 U.S.C. § 325(d).

I. Petitioner's Unfair Dealing Favors Discretionary Denial

Consistent with the Director's decision denying institution in the parent patent '336 IPR based on the same facts, the Director should reverse the panel's decision declining to exercise its discretion to deny institution based on Petitioner's unfair dealing.

While employed at Patent Owner Nutanix, inventors Balasubrahmanyam Kuchibhotla, Kamaldeep Khanuja, Sujit Menon, and Maneesh Rawat assigned their rights to the inventions of the '818 patent to Nutanix. EX2002, 18-20. Specifically, the inventors executed an assignment agreement in November of 2018, representing and warranting that they have "the full and unencumbered right to sell, assign, and transfer the interests" in the claimed inventions and that they "will not execute any

document or instrument in conflict herewith.” EX2002 at 19-20. After profiting from Nutanix by doing so, Kuchibhotla and Khanuja left Nutanix to found Petitioner Tessell. EX2010; EX2011. They subsequently hired Menon and Rawat away from Nutanix. EX2012; EX2013. After founding Petitioner Tessell, the inventors sought to profit from their invention a second time by using it to compete with Nutanix and challenge the patentability of the invention they assigned to Nutanix, contravening the representations made in the assignment agreement. This is unfair dealing, POPR at 1, 4, 18, and the Director should exercise her discretion to prevent it.

Tessell’s founder/inventors should not be allowed to “profit doubly—by gaining both the price of assigning the patent and the continued right to use the invention it covers.” *Minerva Surgical, Inc. v. Hologic, Inc.*, 594 U.S. 559, 575 (2021). They should not be allowed to challenge the patentability of the ’818 patent. *See id.* (“When an assignor warrants that a patent is valid, his later denial of validity breaches norms of equitable dealing.”). The same goes for Petitioner Tessell itself. *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998) (treating like assignors parties in privity with the assignors).

Despite these clear facts supporting unfair dealing, the panel erroneously declined to exercise its discretion to deny institution, stating that “[a]ssignor estoppel ... does not apply to *inter partes* review proceedings” based on 35 U.S.C. § 311(a). Paper 11 at 22. In doing so, the panel failed to appreciate that “[a]lthough assignor

estoppel does not apply in *inter partes* reviews under 35 U.S.C. § 311(a) . . . , the Office may consider unfair dealings as a factor when determining whether to exercise discretion to deny institution under 35 U.S.C. § 314(a).” IPR2025-00322, Paper 14 at 2 (denying institution of *inter partes* review on a related Nutanix patent challenged by its inventors and employees of Petitioner Tessell). Moreover, the cases that the panel relied on—*Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792 (Fed. Cir. 2018) and *Athena Automation Ltd. v. Husky Injection Molding Sys. Ltd.*, IPR2013-00290, Paper 18 (PTAB Oct. 25, 2013)—were decided several years before the USPTO adopted the *Fintiv* framework for discretionary considerations under 35 U.S.C. § 314(a), which provides broad discretion for the Director to deny institution on “other circumstances that impact the Board’s exercise of discretion, including the merits.” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 6 (Mar. 20, 2020) (precedential). Petitioner’s unfair dealing thus falls within the scope of the *Fintiv* framework.

The panel also erred by determining that, “[b]ut for these two inventors having previously assigned their rights to the ’818 patent to Patent Owner, there is no alleged unfair dealing in Petitioner’s decision to file a petition against the ’818 patent.” Paper 11 at 22. This statement overlooks the importance of the inventor’s obligations vis-à-vis their assignments and Patent Owner Nutanix’s reasonable reliance on them.

Petitioner may argue that there is no unfair dealing because the inventors signed an invention assignment as part of an employment agreement that pertains to future inventions made during their employment, citing *Minerva*. But this is incorrect. In *Minerva*, the Supreme Court held that assignor estoppel may not apply if an inventor assigns the invention before the “inventor can possibly make a warranty of validity as to specific patent claims,” such as in “a common employment arrangement,” in which an “employee assigns to his employer patent rights in any future inventions he develops during his employment; the employer then decides which, if any, of those inventions to patent.” *Minerva*, 594 U.S. at 576. Here, the ’818 patent inventors signed a patent assignment agreement specifically assigning the inventions of the ’818 patent. *See* EX2002, 18-20. Thus, unlike the general prospective employment scenario addressed in *Minerva*, the inventors knew that they were assigning the inventions at issue—and promising not to later challenge them—when they executed the assignment agreement.

II. Settled Expectations of Nutanix Favors Discretionary Denial

Given that the inventors either founded or work for Petitioner, Petitioner knew of the inventions of the ’818 patent since the filing of the parent application (U.S. Pat. Appl. No. 16/234,553) on December 27, 2018, which issued as the ’336 patent on May 18, 2021. Moreover, Petitioner was aware of the application that led to the ’818 patent (U.S. Pat. Appl. No. 18/113,528) at least as early as its filing date on

February 23, 2023. Yet, Petitioner did not file petitions against the '818 patent and the '336 patent until December of 2024—nearly *six* years from the filing of the parent application. *iRhythm Techs., Inc. v. Welch Allyn, Inc.*, IPR2025-00363, Paper 10 at 3 (“Petitioner’s awareness of Patent Owner’s applications and failure to seek early review of the patents favors denial and outweighs the above-discussed considerations.”). And the inventors knew of their own representations in November 2018 not to take steps in conflict with their assignment of the inventions. EX2002, 18-20. Thus, the totality of the circumstances here created an implicit expectation between the parties and an acquiescence as to the patentability of the claims of the '818 patent, warranting the Director’s exercise of discretion.

To the extent Tessell argues that Nutanix is precluded from presenting arguments on the settled expectations of the parties, that is incorrect. Nutanix’s preliminary response was due on March 19, 2025—after the Director rescinded the June 21, 2022 memorandum on “Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation” but before the issuance of the Director’s March 26, 2025 memorandum on “Interim Processes for PTAB Workload management.” The March 26, 2025 guidance lists settled expectations of the parties as one of the considerations for discretionary denial, which was not listed in the prior guidance. Thus, Nutanix should be given an opportunity to present arguments based on the new discretionary denial procedures.

III. 35 U.S.C. § 325(d) Favors Discretionary Denial

The Director should additionally exercise her discretion to deny institution under § 325(d) because the same and substantially the same prior art was already considered by the office and found deficient. Instead of addressing that deficiency in this proceeding, Petitioner advances the same art with purported “background knowledge of a POSA.” Paper 2 at 84.

The panel correctly recognized that *Advanced Bionics* factor one favors discretionary denial because Zha and a descendant of Sivasubramanian were of record during prosecution. Paper 11 at 24. However, the panel erred in its analysis of *Advanced Bionics* factor two, when it found error in the examiner’s consideration of the art of record.

The panel found that factor two disfavors discretionary denial because the examiner did not apply Sivasubramanian and Zha in a rejection and the prosecution history did not include expert testimony regarding supposed background knowledge of a POSA as presented in the petition. Paper 11 at 25. But the Board’s reasoning is flawed. If raising the same art and adding an accompanying expert declaration were the standard, § 325(d) would be rendered superfluous in IPR proceedings. Absence of expert testimony during prosecution regarding this feature cannot demonstrate examiner error because rarely, if ever, is the same expert testimony and evidence presented in an IPR petition available in prosecution history.

IV. Conclusion

Because Petitioner Tessell attempts to unfairly profit twice from the inventions claimed in the '818 patent, contrary to the settled expectations of the parties, relying on the prior art already considered by the examiner during prosecution, Patent Owner Nutanix respectfully requests that the Director exercise her discretion to deny institution of inter partes review.

Respectfully submitted,

Dated: June 16, 2025

By: /Joshua L. Goldberg/
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CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing **Patent Owner's Request for Director Review** was served electronically via email on June 16, 2025 in its entirety on the following:

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Dated: June 16, 2025

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