UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

MICROSOFT CORPORATION,
Petitioner,

v.

TOUTVIRTUAL, INC.,
Patent Owner.

Case IPR2026-00297
U.S. Patent No. 12,079,667

PATENT OWNER'S REQUEST FOR DISCRETIONARY DENIAL

REDACTED VERSION

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PATENT OWNER'S EXHIBIT LIST

EXHIBIT	DESCRIPTION
2001	First Amended Docket Control Order, *ToutVirtual, Inc. v. Microsoft Corporation*, No. 25-cv-00943-RWS-RSP, Dkt. No. 35 (E.D. Tex. Feb. 23, 2026)
2002	Declaration of Vipul Pabari in Support of Patent Owner's Request for Discretionary Denial PROTECTIVE ORDER MATERIAL
2003	Declaration of James Hannah in Support of Patent Owner's Request for Discretionary Denial
2004	Docket Navigator webpage, Time to Trial in the Eastern District of Texas, dated January 1, 2024 through May 9, 2026
2005	Excerpts from U.S. District Court – Federal Case Management Statistics, Median Time from Filings to Trial (E.D. Tex.), 12-Month Periods Ending December 31, 2025, available at https://www.uscourts.gov/data-news/data-tables/2025/12/31/statistical-tables-federal-judiciary/t-3
2006	Summons in a Civil Action, *ToutVirtual, Inc. v. Microsoft Corp.*, No. 25-cv-00943-RWS-RSP, Dkt. No. 5 (E.D. Tex. Sep. 8, 2025)
2007	Excerpts from Defendant's Preliminary Invalidity Contentions, *ToutVirtual, Inc. v. Microsoft Corp.*, No. 25-cv-00943-RWS-RSP (E.D. Tex.), served on March 12, 2026
2008	U.S. Patent No. 8,799,431
2009	U.S. Patent No. 9,444,762
2010	ToutVirtual – VirtualIQ Pro 3 – Virtual Intelligence Best Practices

EXHIBIT	DESCRIPTION
2011	Reuters webpage, "Virtualization management takes center stage," dated August 26, 2009, available at https://www.reuters.com/article/business/environment/virtualization-management-takes-center-stage-idUS1669466711/
2012	ToutVirtual press release, "ToutVirtual Announces VirtualIQ Pro 3," dated January 13, 2009, available at https://www.toutvirtual.com/company/pr/VirtualIQ-Pro-January-13-2009.pdf
2013	Network Computing webpage, "ToutVirtual Unveils New Software," dated May 30, 2007, available at https://www.networkcomputing.com/network-management/toutvirtual-unveils-new-software
2014	PR.com press release, "ToutVirtual to Offer Product Suite via BT Engage IT," dated June 1, 2012, available at https://www.pr.com/press-release/417010
2015	Computer World webpage, "Computerworld Horizon Awards 2006 Honorees," dated August 21, 2006, available at https://www.computerworld.com/article/1649654/computer world-horizon-awards-2006-honorees.html
2016	Network World webpage, "10 virtualization companies to watch," dated August 20, 2007, available at https://www.networkworld.com/article/824596/data-center-10-virtualization-companies-to-watch.html
2017	Network Computing webpage, "ToutVirtual Offered with Microsoft," dated April 5, 2007, available at https://www.networkcomputing.com/network-infrastructure/toutvirtual-offered-with-microsoft
2018	ToutVirtual press release - "ToutVirtual Announces Support for Microsoft Windows Server 2008 Hyper-V Virtualization," dated October 27, 2008

EXHIBIT	DESCRIPTION
2019	ToutVirtual, Inc. presentation, "Virtual Problems – Real Solutions," dated November 2006 PROTECTIVE ORDER MATERIAL
2020	E-mail from V. Pabari to T. Bailey and M. Neil, dated November 15, 2006 PROTECTIVE ORDER MATERIAL
2021	Intentionally Omitted
2022	Intentionally Omitted
2023	Order, *Maxell, Ltd. v. Samsung Elecs. Co*., No. 5:25-cv-00052-RWS, Dkt. No. 64 (E.D. Tex. Dec. 15, 2025)
2024	Intentionally Omitted
2025	Intentionally Omitted
2026	Default Protective Order

I. INTRODUCTION

The Director should deny institution under *Fintiv*, the settled expectations doctrine, and 35 U.S.C. § 325(d). A parallel district court litigation is set for trial three months before the projected final written decision, with overlapping claims, references, and parties, and Microsoft's narrow stipulation fails to make this proceeding a true alternative to that litigation. The '667 Patent, meanwhile, is part of a portfolio that has been in force since 2014, underpins technology that earned industry recognition—including from Microsoft itself, which partnered with ToutVirtual in 2007—and has over 450 forward citations, including against Microsoft's own patent applications. Further, the merits of the Petition are weak, and Microsoft relies heavily on its expert to fill in gaps between the Challenged Claims and the prior art.

First, the *Fintiv* factors weigh strongly in favor of discretionary denial. *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (precedential). Trial in the district court is scheduled for June 21, 2027, which is three months before a final written decision would be expected in this case, and there is little to no likelihood that the district court will stay the case pending a trial in this proceeding. Ex. 2001 at 1. Microsoft's narrow stipulation also precludes a trial in this case from representing a true alternative to the co-pending district court litigation: it allows Microsoft to re-litigate patentability under Sections 102 and 103

with unrestricted system art taken alone or in combination with art not asserted in this proceeding. Institution would, therefore, duplicate efforts and risk inconsistent decisions between both forums.

Second, strong settled expectations weigh in favor of discretionary denial. The '667 Patent is part of a patent portfolio that has been in force for 12 years and is the foundation for ToutVirtual's VirtualIQ technology, which met a recognized industry need and received praise and recognition—including from Microsoft. Microsoft, which operated in the same technology space, partnered with ToutVirtual in 2007. And it has been aware of ToutVirtual's '667 Patent family portfolio since 2006 as a result of the parties' partnership discussions and its own patent applications facing rejections based on the '667 Patent family portfolio. Ex. 2002 ("Pabari Decl."), ¶ 2. This prosecution-based notice is a natural consequence of the portfolio being a leader in the virtualization management technology space as demonstrated by having over 450 forward citations.

II. THE DIRECTOR SHOULD DENY THE PETITION

A. The *Fintiv* Factors Weigh Strongly in Favor of Denial

***Fintiv* Factor 1: Whether the Parallel Proceeding will be Stayed**

Factor 1 weighs in favor of discretionary denial because Microsoft has not moved for a stay, and it is highly unlikely that the district court would grant a stay even if trial was instituted in this case. *See Samsung Elecs. Co. v. Vasu Holdings,*

LLC, No. IPR2025-00446, Paper 12 at 2 (P.T.A.B. July 10, 2025) (Factor 1 favors denial where "there is insufficient evidence that the district court is likely to stay its proceedings."); *see also* Ex. 2023, *Maxell, Ltd. v. Samsung Elecs. Co.*, No. 5:25-cv-00052-RWS, Dkt. No. 64 at 3 (E.D. Tex. Dec. 15, 2025) ("[C]ourts in this district have a consistent practice of denying motions to stay when the PTAB has yet to institute post-grant proceedings.") (citing cases).

First, this IPR proceeding would not simplify the district court litigation. The two oldest patents in the '667 Patent's family portfolio—U.S. Patent No. 9,444,762 (the "'762 Patent") and U.S. Patent No. 8,799,431 (the "'431 Patent")—are asserted at the district court but not challenged here. Accordingly, the district court is highly unlikely to stay the case because other asserted patents would "remain live" regardless of this IPR proceeding. *See Force Mos Tech. Co. v. ASUSTek Comput., Inc.*, No. 2:22-cv-00460-JRG, 2024 WL 1586266, at *4 (E.D. Tex. Apr. 11, 2024) (denying a stay where one of three asserted patents was unchallenged).

Second, by the time the Office decides whether to institute trial in this case, the district court litigation will have reached such an advanced state that a stay would unduly interfere with the ongoing proceeding. *Maxell Ltd. v. Apple Inc.*, No. 5:19-cv-00036-RWS, 2020 WL 10456915, at *2 (E.D. Tex. Apr. 27, 2020) (denying a motion to stay because the case was far enough along that it would have interfered with the ongoing proceeding). By the projected institution date (September 2026),

the parties will have exchanged preliminary infringement and invalidity contentions, begun claim construction, and conducted source code review. Ex. 2001 at 5.

***Fintiv* Factor 2: Proximity of Trial to the Board's Final Written Decision**

Factor 2 favors denial because trial is scheduled to commence three months before the projected final written decision ("FWD"). Trial is set for June 21, 2027; the projected FWD is September 16, 2027. Ex. 2001 at 1; *MSN Pharm., Inc. v. Breckenridge Pharm., Inc.*, No. IPR2025-01107, Paper 11 at 2 (P.T.A.B. Oct. 17, 2025) (discretionarily denying institution where the projected FWD was a little over two months after the scheduled trial date). The median time-to-trial statistics for the Eastern District of Texas suggest that trial will begin around September 8, 2027, which remains earlier than the projected FWD date. Ex. 2004; Ex. 2005; Ex. 2006 at 1.

This timing means the district court and the Board would litigate validity concurrently, creating "significant duplication of effort, expense for the parties, and a risk of inconsistent decisions." *NVIDIA Corp. v. Neural AI, LLC*, No. IPR2025-00608, Paper 16 at 2-3 (P.T.A.B. July 31, 2025). Thus, discretionary denial is also favored based on the time-to-trial statistics. *See, e.g.*, *Jinkosolar Co. v. Longi Green Energy Tech. Co.*, No. IPR2025-00859, Paper 10 at 2 (P.T.A.B. Sept. 3, 2025) (discretionarily denying institution where the time-to-trial statistics suggested that the trial would start around the same time the FWD issued).

***Fintiv* Factor 3: Parties' and Court's Investment in Parallel Proceeding**

Factor 3 favors denial because both parties will have invested significant resources at the district court. As discussed above, the parties will have exchanged preliminary infringement and invalidity contentions, conducted source code review, and commenced claim construction proceedings. *See* § II.A (*Fintiv* Factor 1), *supra*; Ex. 2003 ("Hannah Decl."), ¶ 6.

***Fintiv* Factor 4: Amount of Overlapping Issues Between Both Forums**

Factor 4 favors denial because the district court litigation has asserted the same claims and references asserted here, and Microsoft's stipulation does not avoid inefficiencies and inconsistent outcomes. The claims asserted at the district court (claims 1-3, 5, 7-12, and 14-19) are also challenged here (claims 1-20). Pet. at 1; Ex. 2007 at 1. Also, the same two references in the Petition grounds, Hashimoto and Hirschfeld, are asserted in the district court litigation along with many other references and system art. *Compare* Pet. at 1 *with* Ex. 2007 at 29-30.

Microsoft's narrow stipulation does not prevent the duplication of efforts or reduce the risk of inconsistent decisions between the forums. *See Motorola Solutions, Inc. v. Stellar, LLC*, No. IPR2024-01205, Paper 19 at 3-4 (P.T.A.B. Mar. 28, 2025) (vacating and denying institution because the petitioner's stipulation was not "a 'true alternative' to the district court proceeding" because the stipulation would not likely moot system art combinations.); *Shenzhen Tuoshu Tech. Co. v.*

Stratasys, Inc., No. IPR2025-00354, Paper 11 at 2-3 (P.T.A.B. June 12, 2025) (denying institution because the "[p]etitioner's stipulation [merely] reduces, but does not eliminate, the inefficiencies"). The stipulation bars only two categories with respect to system art: (1) "combinations of prior art asserted in this proceeding . . . with any other type of prior art, including unpublished system prior art," and (2) "any unpublished system art corresponding to the prior art asserted in this proceeding." Ex. 1016 at 1.

The first category leaves untouched any combination of system art with non-asserted art at the district court, which includes at least 15 publications and five systems. *Compare* Ex. 2007 at 29-30 *with* Ex. 1016 at Appendix. The second category leaves untouched system art that does not correspond to the references asserted here. Ex. 1016 at 1, Appendix. Microsoft's invalidity contentions assert five prior art systems against the '667 Patent, none of which are shown to correspond to the asserted references, making the stipulation's second category entirely illusory. *Compare* Ex. 2007 at 30 *with* Ex. 1016 at Appendix. Thus, the five systems taken alone or in combination with each other, or any of the at least 15 non-asserted art, remain free under the stipulation's own terms.

System art cannot be raised in an IPR proceeding under 35 U.S.C. § 311(b) and therefore is categorically beyond the reach of § 315(e)(2) estoppel at district court by making any stipulation that fails to address system art a stipulation that

leaves invalidity grounds entirely free regardless of the IPR's outcome. *See Ingenico Inc. v. IOENGINE, LLC*, 136 F.4th 1354, 1365-66 (Fed. Cir. 2025). Microsoft's stipulation also does not extend to *ex parte* reexamination requests with the same asserted references or different ones. Ex. 1016 at 1 (stipulating to just the "Texas Litigation").

***Fintiv* Factor 5: Similarity of the Parties Between Both Forums**

Factor 5 favors denial because Microsoft is also the defendant in the district court litigation.

***Fintiv* Factor 6: Other Factors Impacting the Board's Discretion**

Factor 6 favors denial because, as will be explained in greater detail in the forthcoming Patent Owner Preliminary Response ("POPR"), the merits of the Petition are weak. *See* Interim Director Discretionary Process,[1] § II.C.i (A patent owner "may direct attention to an anticipated POPR and evidence for a discussion of the merits."). Microsoft has not made out a *prima facie* case of obviousness because Hashimoto in view of Lubbers does not disclose "selecting one or more of the virtual assets for storage of the set of data based on an allocation of data on the virtual storage assets," and Microsoft does not explain how it does. Pet. at 32-38.

[1] https://www.uspto.gov/patents/ptab/interim-director-discretionary-process

Rather than show how the combination allegedly discloses selecting virtual assets to store the set of data "***based on an allocation of data*** on the virtual storage assets," Microsoft merely points to rules that "dictate how the data must be allocated." Pet. at 37-38 ("RStores are associated with PSEGs and selected for inclusion within a LUN based on application-specific rules related to data protection level, and as a result the rules dictate how the data must be allocated on the virtual storage assets"). However, Microsoft does not allege that these rules operate "based on an allocation of data on the virtual storage assets," as claimed. As Microsoft acknowledges, Lubbers' rules are based on "e.g., the type of application and its priority level" rather than "an allocation of data on the virtual storage assets," as recited in the claims. Pet. at 36.

Although ToutVirtual will expand on the Petition's weakness in its upcoming POPR, Microsoft's failure to make out a *prima facie* case of obviousness lends further support for discretionary denial under *Fintiv*.

B. Strong Settled Expectations Favor Denial

The Director should deny institution on the independent ground that ToutVirtual holds strong settled expectations in the '667 Patent. The '667 Patent is part of a portfolio in force since 2014 that is the foundation for ToutVirtual's VirtualIQ technology—an award-winning solution that addressed a recognized

industry need for unified virtualization management.[2] Microsoft itself relied on VirtualIQ, partnering with ToutVirtual in 2007, after learning the technology was built on the '667 Patent family pending-platform. The portfolio's significance is further confirmed by over 450 forward citations, including citations in 17 of Microsoft's own patent applications, 5 of which faced rejections based on the portfolio. Ex. 2010; Hannah Decl., ¶¶ 7-8.

Moreover, the related '431 and '762 Patents, each in force for over a decade, are asserted in the co-pending district court litigation but unchallenged here. Under these circumstances, institution would waste Board resources and undermine the settled expectations ToutVirtual's long-in-force portfolio has earned.

1. ToutVirtual's VirtualIQ Technology Addressed an Industry Need that Earned Praise and Recognition—Including by Microsoft who Partnered with ToutVirtual in 2007

ToutVirtual's VirtualIQ technology, which embodies the '667 Patent, addressed an industry need and earned recognition—including from Microsoft, which operates in the same technology space and partnered with ToutVirtual in 2007. Pabari Decl., ¶¶ 3-6. Industry recognition of an innovative solution that met

[2] The '667 Patent claims priority to a provisional application filed in 2005 through a chain of continuations, including the '762 Patent in force since 2016, and the '431 Patent in force since 2014. '667 Patent at (60), (63); Ex. 2008; Ex. 2009.

an industry need correlates to strong settled expectations. *See Amgen Inc. v. Bristol-Myers Squibb Co*., No. IPR2025-00601, Paper 9 at 2 (P.T.A.B. July 24, 2025) (expressing that "there may be good reasons why a patent owner has strong settled expectations in a patent that has only been in force for three years" and that these reasons can "correlate[] to settled expectations").

The 2000s saw virtualization management—the orchestration of virtual assets deployed on physical resources, including the identification, provisioning, performance monitoring, and dynamic reallocation of those assets across a network—take center stage. Ex. 2011 at 2; Pabari Decl., ¶¶ 3-6. As organizations increasingly employed different hypervisors—the software layers responsible for running multiple virtual machines on a single physical resource—the industry faced a need for a unified management tool that could provide a single view for managing virtualization across different environments. *Id.*

ToutVirtual's VirtualIQ technology met that need: it "help[ed] users get greater value from virtualization deployments by integrating, in a single console, several core disciplines like capacity planning, load balancing and automated VM management." Ex. 2012 at 1. This praise was repeated by other industry professionals:

> Multi-function tools that can manage across a variety of environments, such as VirtualIQ from ToutVirtual, are

> increasingly needed by IT to monitor and control their virtualized resources.

Ex. 2013 at 2; *see also* Ex. 2012 at 1 ("ToutVirtual's VirtualIQ Pro has provided us with a unified console to control server capacity, manage incidents, create and execute policies and ultimately optimize our virtualization environment."); Ex. 2014 at 2 ("The key challenges faced by customers are around management processes for virtualization and cloud. ToutVirtual's VirtualIQ products help by offering a 'single pane of glass.'"); Pabari Decl., ¶¶ 5-7.

ToutVirtual also received award recognition by *ComputerWorld*, which identified ToutVirtual as part of the "Computerworld Horizon Awards 2006 Honorees," and *Network World*, which named ToutVirtual as one of the "10 virtualization companies to watch" in 2007. Ex. 2015 at 15-16; Ex. 2016 at 1; *see also* Pabari Decl., ¶¶ 8-9 ("Unlike standard product reviews, these honors are the result of a vetting process conducted by a committee of industry scouts, venture capitalists, and sitting CIOs from global enterprises").

As Microsoft began implementing its hypervisor (Windows Server 2008, Hyper-V), it also recognized ToutVirtual's contribution to the virtualization management space, and partnered with ToutVirtual in 2007. *Murata Mfg. Co. v. Georgia Tech Rsch. Corp*, No. IPR2025-00383, Paper 14 at 2-3 (P.T.A.B. July 29, 2025) (discretionarily denying institution where the petitioner was aware of the

patent owner's involvement in the technology space "for a significant amount of time before filing its Petition"); *see also NVIDIA Corp.*, Paper 16 at 2-3. Microsoft stated it was "pleased that ToutVirtual is offering a virtualization solution for managing heterogeneous environments" (Ex. 2017 at 2) and its "support for Windows Server 2008 Hyper-V," which enabled "customers running Hyper-V [to] assess and optimize applications for their environments, assisting them in making the right planning decisions" (Ex. 2018 at 1). In partnership discussions, Microsoft was made aware that VirtualIQ was [redacted]—the '667 Patent family portfolio. Ex. 2019 at 6; Pabari Decl., ¶¶ 10-12.

These facts—ToutVirtual's VirtualIQ technology addressed a recognized industry need for unified virtualization management, earned awards from *ComputerWorld* and *Network World*, and was relied upon by Microsoft itself through a 2007 partnership in which Microsoft was informed the technology was built on a patent-pending platform—are the types of "good reasons" that give rise to strong settled expectations. *See Amgen Inc.*, Paper 9 at 2. ToutVirtual has built its business around the '667 Patent and its family for over a decade, and the industry recognition and commercial reliance detailed above confirm the significance of those patent rights.

2. Microsoft's Awareness of ToutVirtual's Portfolio, Combined with the District Court's Parallel Validity Proceedings, Reinforce Strong Settled Expectations

Strong settled expectations also exist on the basis that the '667 Patent family portfolio is a foundational reference in the virtualization management space, as shown by over 450 forward citations, including Microsoft's patent applications dating back to 2008. Hannah Decl., ¶ 7.

These facts parallel *Amazon.com, Inc. v. Audio Pod IP, LLC*, No. IPR2025-00768, Paper 15 (P.T.A.B. Aug. 14, 2025) ("*Amazon*"). *Amazon* at 2-3 (discretionarily denying institution of a patent in force for less than five years where the petitioner was aware of the technology since 2007, and the patent portfolio since 2012, and where the validity of patents in force for over seven years would be decided at district court). Like the petitioner in *Amazon*, Microsoft has been aware of ToutVirtual's VirtualIQ technology and its portfolio since 2006, and the validity of the related long-in-force patents will be decided at district court.

ToutVirtual's '667 Patent family portfolio has been cited during prosecution of Microsoft's patent applications since 2008. Hannah Decl., ¶ 8. Since then, the portfolio has been referenced in 17 Microsoft applications and used as a basis for rejection against 5 of Microsoft's applications. *Id.* These citations confirm Microsoft's continued awareness of ToutVirtual's portfolio, which started no later than 2006, when the parties entered partnership discussions. *See* § II.B.1, *supra*.

Notably, Microsoft did not challenge at the PTAB the related '431 and '762 Patents—which have been in force for over a decade—despite these patents in the portfolio being asserted in the district court litigation. The district court therefore will be considering the validity of these two patents before the projected final written decision is due in this proceeding. Accordingly, like the younger patent in *Amazon*, referring the '667 Patent to the Board "would be an inefficient use of Board resources." *Amazon* at 3; *see also Nvidia Corp.*, Paper 16 at 2-3 (similar).

In view of the foregoing, Microsoft's longstanding awareness of the '667 Patent family portfolio, combined with the district court's consideration of the long-in-force '431 and '762 Patents, reinforces strong settled expectations and confirms that institution would be an inefficient use of Board resources. These considerations, together with judicial efficiency, warrant discretionary denial.

III. CONCLUSION

For all of these reasons, ToutVirtual requests that the Director deny institution of *inter partes* review of the '667 Patent.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies, in accordance with 37 C.F.R. § 42.6(e), and pursuant to agreement by the parties that filing with the Board through the Patent Trial and Appeal Case Tracking System (P-TACTS) constitutes electronic service, service was made on Petitioners as detailed below.

Date of service	May 18, 2026
Manner of service	Electronic Filing with the Board (IPR42342-0157IP1@fr.com)
Documents served	PATENT OWNER'S REQUEST FOR DISCRETIONARY DENIAL
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